

INTERDIGITAL INC.

FORM 10-Q (Quarterly Report)

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Address	781 THIRD AVE KING OF PRUSSIA, PA 19406-1409
Telephone	6108787800
CIK	0000354913
SIC Code	6794 - Patent Owners and Lessors
Industry	Communications Equipment
Sector	Technology
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2000

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 1-11152

**INTERDIGITAL COMMUNICATIONS
CORPORATION**

(Exact name of registrant as specified in its charter)

PENNSYLVANIA

(State or other jurisdiction of
incorporation or organization)

23-1882087

(I.R.S. Employer
Identification No.)

781 Third Avenue, King of Prussia, PA 19406
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code (610) 878-7800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, par value \$.01 per share

52,696,162

Class

Outstanding at July 31, 2000

INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

Item I. FINANCIAL STATEMENTS

INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

ASSETS	JUNE 30, 2000	DECEMBER 31, 1999
-----	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 25,145	\$ 14,592
Short term investments	69,145	68,550
Accounts receivable	13,652	10,884
Inventories	--	3,092
Other current assets	10,917	11,625
	-----	-----
Total current assets	118,859	108,743
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, NET	9,054	7,393
PATENTS, NET	9,703	9,723
LONG TERM DEPOSITS	227	284
OTHER	425	428
	-----	-----
	19,409	17,828
	-----	-----
TOTAL ASSETS	\$ 138,268	\$ 126,571
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long term debt	\$ 409	\$ 446
Accounts payable	1,956	2,454
Accrued compensation and related expenses	3,187	4,326
Deferred revenue	6,666	69
Foreign and domestic taxes payable	1,229	1,093
Other accrued expenses	3,433	4,857
	-----	-----
Total current liabilities	16,880	13,245
LONG-TERM DEBT	2,364	2,559
LONG-TERM DEFERRED REVENUE	27,198	--
OTHER NON-CURRENT LIABILITIES	--	1,260
	-----	-----
TOTAL LIABILITIES	46,442	17,064
	-----	-----
COMMITMENTS & CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred Stock \$.10 par value, 14,399 shares authorized- \$2.50 Convertible Preferred, 55 and 102 shares issued and outstanding	5	10
Common Stock, \$.01 par value, 100,000 shares authorized, 53,650 shares and 50,985 shares issued and outstanding	537	510
Additional paid-in capital	266,282	249,976
Accumulated deficit	(163,459)	(133,588)
Unearned Compensation	(5,907)	(1,769)
	-----	-----
	97,458	115,139
Less Treasury stock, 1,042 held at cost	5,632	5,632
	-----	-----
Total shareholders' equity	91,826	109,507
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 138,268	\$ 126,571
	=====	=====

The accompanying notes are an integral part of these statements.

INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
REVENUES:				
Product	\$ 1,076	\$ 427	\$ 5,634	\$ 1,524
Licensing and strategic partner	10,556	11,919	19,842	45,964
	11,632	12,346	25,476	47,488
COST OF PRODUCT AND OPERATING EXPENSES:				
Cost of product	1,374	1,302	5,200	2,997
Sales and marketing	727	711	2,248	1,666
General and administrative	3,206	1,922	5,874	3,440
Patents administration and licensing	1,746	1,527	1,337	4,324
Development	6,445	5,108	11,888	10,706
Repositioning Charges	--	1,213	--	1,213
	13,498	11,783	26,547	24,346
Income (loss) from operations	(1,866)	563	(1,071)	23,142
INTEREST INCOME (EXPENSE):				
Interest income	1,376	973	3,027	1,805
Interest and financing expenses	(68)	(83)	(135)	(173)
Income (loss) before income taxes	(558)	1,453	1,821	24,774
INCOME TAX PROVISION	(511)	(29)	(1,091)	(2,125)
Net income (loss)	(1,069)	1,424	730	22,649
PREFERRED STOCK DIVIDENDS	(35)	(64)	(69)	(128)
NET INCOME (LOSS) APPLICABLE TO COMMON SHAREHOLDERS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(1,104)	1,360	661	22,521
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	--	--	(30,532)	--
NET INCOME (LOSS)	\$ (1,104)	\$ 1,360	\$ (29,871)	\$ 22,521
NET INCOME (LOSS) PER COMMON SHARE BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE - BASIC	\$ (0.02)	\$ 0.03	\$ 0.01	\$ 0.46
NET INCOME (LOSS) PER COMMON SHARE - BASIC	\$ (0.02)	\$ 0.03	\$ (0.58)	\$ 0.46
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	51,654	48,323	51,472	48,433
NET INCOME (LOSS) PER COMMON SHARE BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE - DILUTED	\$ (0.02)	\$ 0.03	\$ (0.01)	\$ 0.46
NET INCOME (LOSS) PER COMMON SHARE - DILUTED	\$ (0.02)	\$ 0.03	\$ (0.58)	\$ 0.46
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	51,654	48,323	51,472	48,433

The accompanying notes are an integral part of these statements.

INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS CASH FLOWS
(in thousands)

	FOR THE SIX MONTHS ENDED JUNE 30,	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$(29,802)	\$ 22,649
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and patent amortization	2,123	2,443
Deferred revenue	33,795	(2,380)
Amortization of Unearned Compensation	861	--
Repositioning charges	--	1,213
Decrease (increase) in assets -		
Receivables	(2,768)	10,995
Inventories	3,092	1,073
Other current assets	708	(870)
Increase (decrease) in liabilities		
Accounts payable	(498)	(3,034)
Accrued compensation	(1,139)	(1,212)
Other accrued expenses	(2,548)	(1,701)
	-----	-----
Net cash provided by operating activities	3,824	29,176
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchase) of short-term investments, net	(595)	(39,255)
Purchase of property and equipment	(3,002)	(958)
Patent costs	(762)	(429)
Other non-current assets	60	31
	-----	-----
Net cash provided by (used in) investing activities	(4,299)	(40,611)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from sales of Common Stock and exercises of stock options and warrants	11,329	194
Lease obligations incurred	--	--
Payments on long-term debt, including capital lease obligations	(232)	(442)
Cash dividends on Preferred Stock	(69)	(56)
Purchase of Treasury Stock	--	(1,237)
	-----	-----
Net cash provided by (used in) financing activities	11,028	(1,541)
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,553	(12,976)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	14,592	20,059
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 25,145	\$ 7,083
	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 131	\$ 159
	=====	=====
Income taxes paid, including foreign withholding taxes	\$ 456	\$ 3,711
	=====	=====

The accompanying notes are an integral part of these statements.

INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2000
(UNAUDITED)

1. BASIS OF PRESENTATION:

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal, recurring adjustments) necessary to present fairly the financial position of InterDigital Communications Corporation (the "Company" or "InterDigital") as of June 30, 2000, and the results of its operations for the three and six month periods ended June 30, 2000 and 1999, and cash flows for the six month periods ended June 30, 2000 and 1999. The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and accordingly do not include all of the detailed schedules, information and notes necessary for a fair presentation of financial condition, results of operations and cash flows in conformity with generally accepted accounting principles. Therefore, these financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's latest Annual Report on Form 10-K filed with the Securities and Exchange Commission. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. LITIGATION:

InterDigital and InterDigital Technology Corporation ("ITC"), a wholly-owned subsidiary, are parties to a certain patent-related litigation in which ITC is asserting that a certain third party infringes ITC's patents. ITC generally is seeking injunctive relief and monetary damages. The alleged infringer generally seeks declarations that ITC's patents are invalid and/or that its products do not infringe ITC's patents as well as monetary damages. ITC is also involved in administrative proceedings in which various parties have challenged the validity of ITC's patents.

Also, InterDigital is party to litigation in which a former distributor of UltraPhone(R) systems is claiming a breach of contract to team to supply, and to supply UltraPhone(R) systems in Kenya and for fraudulent representation as to our future plans for the product. The plaintiff seeks both injunctive relief as well as damages in the form of direct, indirect and consequential damages. We have asserted a counterclaim for past due balances. The case is in the process of being scheduled for trial.

In addition to litigation associated with patent enforcement and licensing activities and the other litigation described above, the Company is a party to certain legal actions arising in the ordinary course of its business. Based on current information, management believes that the outcomes of these matters will not have a material impact on the Company's financial position or results of operations.

3. MODIFICATION OF REVENUE RECOGNITION POLICY:

In the second quarter of 2000, we modified our recognition policy in response to Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements" that was issued by the Securities and Exchange Commission ("SEC") in December, 1999. SAB No. 101 expresses the views of the SEC Staff in applying generally accepted accounting principles to certain transactions, including licensing agreements involving non-refundable up-front payments. Historically, we have recorded such fees as revenue upon the signing of the applicable license agreement because the Company had delivered the license and had no remaining obligations. Following SAB No. 101 guidance, we reflected in our six months results a net after tax cumulative effect of change in accounting principle of \$30.5 million to defer the net portion of up-front payments that represents amounts which have not been exhausted through product sales by licensees as of January 1, 2000. In the first half of 2000, we recognized approximately \$3.3 million and \$2.7 million of revenue and earnings, respectively, on a post-SAB No. 101 basis related to the deferred amounts. The impact in the first and second quarters of 2000 of these amounts was equal. Going forward, we will continue to recognize the revenue and net earnings associated with the deferred amounts as licensee product sales occur.

4. REVENUES:

The Company generates the vast majority of its revenues from licensees and other customers located outside the United States. These revenues are paid in U.S. dollars and are not subject to foreign exchange transaction risk.

In the three months ended June 30, 2000, 91% of InterDigital's total revenues were derived from licensing and strategic partner activities. These revenues consisted of \$5.8 million from recurring royalties (\$4.2 million on a pre-SAB No. 101 basis) and \$4.7 million related to development activities for Nokia. During the same period of 1999, licensing and strategic partner revenues accounted for 97% of InterDigital's total revenues and consisted of \$0.2 million in recurring royalties, \$3.8 million from development work and \$7.9 million from new licensing agreements.

For the six months ended June 30, 2000, 78% of InterDigital's total revenues were derived from licensing and strategic partner activities. These revenues consisted of \$11.8 million from recurring royalties (\$8.5 million on a pre-SAB No. 101 basis) and \$8.1 million related to development activities for Nokia. In addition, \$5.6 million of product revenue was generated in the first half of 2000 related to final orders of Ultraphone systems. During the same period of 1999, licensing and strategic partner revenues accounted for 97% of InterDigital's total revenues and consisted of \$0.8 million in recurring royalties, \$5.7 million from development work and \$39.4 million from new licensing agreements.

5. NET INCOME PER SHARE:

The following table sets forth a reconciliation of the shares used in the basic and diluted net income per share computations:

	(In thousands, except per share data)					
	Three Months Ended June 30, 2000			Three Months Ended June 30, 1999		
	Income (Loss) (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Loss) (Numerator)	Shares (Denominator)	Per-Share Amount
Income per Share-Basic:						
Income (Loss) available to Common stockholders	\$(1,104)	51,654	\$(0.02)	\$1,360	48,323	\$0.03
Effect of Dilutive Options and Warrants	--	--	--	--	258	--
Income per Share-Diluted:						
Income (Loss) available to Common stockholders + dilutive effects of options and warrants	\$(1,104)	51,654	\$(0.02)	\$1,360	48,581	\$0.03

	(In thousands, except per share data)					
	Six Months Ended June 30, 2000			Six Months Ended June 30, 1999		
	Income (Loss) (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Loss) (Numerator)	Shares (Denominator)	Per-Share Amount
Income per Share-Basic:						
Income available to Common stockholders	\$(29,871)	51,472	\$(0.58)	\$22,521	48,310	\$0.46
Effect of Dilutive Options and Warrants	--	--	--	--	345	--
Income per Share-Diluted:						
Income available to Common stockholders + dilutive effects of options and warrants	\$(29,871)	51,472	\$(0.58)	\$22,521	48,778	\$0.46

Options, warrants and restricted stock were outstanding in the three months and six months ended June 30, 2000, but were not included in the computation of diluted net income/loss per share because they were antidilutive.

During the three months and the six months ended June 30, 1999, an additional 5.1 million options and 1.9 million warrants to purchase common stock outstanding were excluded from the computation of diluted earnings per share because they were antidilutive.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS

OVERVIEW

The following discussion should be read in conjunction with the Consolidated Financial Statements and notes thereto, contained elsewhere in this document in addition to the Company's latest Annual Report on Form 10-K filed with the Securities Exchange Commission.

We commenced operations in 1972. Since that time, we have been primarily engaged in research and development activities related to wireless digital communications technology, principally TDMA and CDMA technologies. We have established a substantial and significant library of patents and technology know-how related to such technologies.

Through 1999, we were also engaged in the development, marketing, sales and servicing of Wireless Local Loop ("WLL") equipment utilizing our technology. We developed, marketed and sold a proprietary TDMA-based WLL system known as the UltraPhone system. We also developed a proprietary CDMA-based WLL system, known as the Truelink(TM) system, which utilized wideband CDMA technology. As part of our WLL development and marketing efforts, we entered into strategic alliance agreements with Siemens AG (in 1994), Samsung Electronics Co., Ltd. (in 1996), and Alcatel Espana (in 1998) involving the Company's proprietary wideband CDMA WLL technology, which it trademarked B-CDMA(TM) technology.

In the first half of 1999, we made a major shift in our business strategy by dedicating our resources into the emerging Third Generation ("3G") market. The proposed 3G technologies incorporate wideband CDMA protocols as well as other CDMA and TDMA technologies. Industry analysts project that the first 3G products and services will be introduced in Japan in 2001, with services being offered in other parts of Asia, Europe and North America throughout this decade. The study group for International Telecommunications Union formally adopted the 3G standards in 1999, solidifying wideband CDMA as one of the fundamental technologies for 3G.

As part of our shift, we sought to enter into arrangements with key equipment providers involving 3G technology and products. Executing on our business plan, we entered into a strategic engineering relationship with Nokia in 1999 involving the development of high data-rate technology. As part of the Nokia agreement, we will retain ownership rights over the technology we develop for Nokia. Also, included in the Nokia agreement were certain TDMA and CDMA licenses which are paid up generally through the project period. The agreement also provides a structure for determining patent royalty payments thereafter.

In 1999, we also initiated a self-funded research and development effort to develop building blocks for Frequency Division Duplex (FDD) technology, another component of the wideband CDMA protocols included in the 3G Standard. The FDD program builds off of our extensive B-CDMA technology development efforts.

We plan to market, either on our own or with a partner, system-on-a-chip ASICs and components related to our FDD and Time Division Duplex (TDD) technology to equipment producers worldwide. We also plan to generate revenues from the licensing of the TDD and FDD technologies and patents to third parties, as well as providing specialized engineering services to equipment producers centered around these technologies. Our ability to derive future revenues will be affected by other factors detailed elsewhere in this Quarterly Report. (See "Statement Pursuant to the Securities Litigation Reform Act of 1995" below.)

As a result of the decline in the rural fixed and wireless access market and the anticipated emergence of 3G standards in 1999, both Siemens and Alcatel withdrew from the B-CDMA Alliance(TM) in 1999. As a consequence of our partners' decisions and our own assessment of the WLL market, we decided to reduce our resource commitment to B-CDMA technology development. In 1999, we also decided to discontinue the manufacture of the UltraPhone system. We sustained significant losses over the life of the UltraPhone product line due to our inability to achieve sufficient sales volumes and the need to continue to consistently upgrade and re-engineer the product, at significant expense. Final shipments were completed in the second quarter of 2000 (excluding possible shipments of spare parts reserved for certain customers), and we have now fully exited the business.

Over the course of the next few years, we expect the variability in our revenues and, consequently, our cash flow to continue due mainly to the timing and amount of sales by current and prospective TDMA and CDMA licensees. We expect to continue to experience considerable fluctuations in quarterly and annual operating results in the future due to variations in the amount and timing of recognition of TDMA and CDMA license, royalty and development fees. (See "Statement Pursuant to the Securities Litigation Reform Act of 1995" below.)

FINANCIAL POSITION, LIQUIDITY AND CAPITAL REQUIREMENTS

We generated positive cash flows from operating activities of \$3.8 million in the first half of 2000 compared to \$29.2 million in the same period in 1999. The high level of positive operating cash flow in the first half of 1999 resulted from cash receipts arising principally from a 1999 license agreement with Nokia. The positive operating cash flow in the first half of 2000 was mainly due to the positive cash earnings (net income plus depreciation and amortization) generated during the period.

Net cash used in investing activities decreased to \$4.3 million in the first half of 2000 from \$40.6 million in the comparable period of 1999. The decrease was due primarily to a lower level of additional investment of funds in short-term, highly liquid assets in 2000. Investments in property and equipment and patents increased to \$3.8 million in the first half of 2000 from \$1.4 million in the first half of 1999. The increase in 2000 reflects increased development program and new information system investments.

During the first half of 2000, net cash provided by financing activities was \$11.0 million as compared to \$1.5 million used in the first half of 1999. The increase resulted from net proceeds of \$11.3 million related to option and warrant exercises.

As of June 30, 2000, we had \$94.3 million of cash, cash equivalents and short-term investments, compared to \$83.1 million as of December 31, 1999. Our working capital excluding cash, cash equivalents and short-term investments decreased to \$7.7 million from \$12.4 at year-end 1999 principally as a result of the depletion of inventory related to exiting the wireless local loop business and the increase in deferred revenue resulting from changes recorded in response to SAB No. 101.

We are capable of supporting our operating requirements during the remainder of 2000 through internally generated funds. Should the need arise to fund new development activities, external growth activities or other matters, we may seek financing through bank facilities or the sale of debt or equity securities.

Property and equipment are currently being utilized in the Company's on-going business activities, and the Company believes that no write-downs are required at this time due to lack of use or technological obsolescence. With respect to patent assets, we believe that the value of our patents is at least equal to the value included in the June 30, 2000 balance sheet.

RESULTS OF OPERATIONS

Modification Of Revenue Recognition Policy

In the second quarter of 2000, we modified our recognition policy in response to Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements" that was issued by the Securities and Exchange Commission ("SEC") in December, 1999. SAB No. 101 expresses the views of the SEC Staff in applying generally accepted accounting principles to certain transactions, including licensing agreements involving non-refundable up-front payments. Historically, we have recorded such fees as revenue upon the signing of the applicable license agreement because the Company had delivered the license and had no remaining obligations. Following SAB No. 101 guidance, we reflected in our six months results a net after tax cumulative effect of change in accounting principle of \$30.5 million to defer the net portion of up-front payments that represents amounts which have not been exhausted through product sales by licensees as of January 1, 2000. In the first half of 2000, we recognized approximately \$3.3 million and \$2.7 million of revenue and net earnings, respectively, on a post-SAB No. 101 basis related to the deferred amounts. The impact in the first and second quarters of 2000 of these amounts was equal. Going forward, we will continue to recognize the revenue and net earnings associated with the deferred amounts as licensee product sales occur.

Second Quarter of 2000 Compared to the Second Quarter of 1999

Revenues

Revenues in the second quarter of 2000 totaled \$11.6 million compared to \$12.3 million in last year's second quarter. In 2000, we recognized \$5.8 million from recurring royalties (\$4.2 million on a pre-SAB No. 101 basis), \$4.7 million in specialized engineering services and \$1.1 million of product revenues related to final orders of UltraPhone. In 1999, new license revenue

related to an agreement with Robert Bosch GmbH was \$7.9 million, recurring royalties were \$0.2 million, strategic partner revenue was \$3.8 million and UltraPhone product revenue was \$0.4 million.

Cost of Product

Cost of product for the second quarter of 2000 increased slightly to \$1.4 million from \$1.3 million in the second quarter of 1999 due to an increase in product revenues.

Other Operating Expenses

Sales and Marketing costs of approximately \$0.7 million in the second quarter of 2000 remained fairly consistent with last year's spending in the same quarter.

General and administrative expenses for the second quarter of 2000 increased 67% to \$3.2 million from \$1.9 million in the second quarter of 1999. The increase is primarily due to higher costs related to various corporate strategic initiatives.

Patents administration and licensing expenses increased slightly to \$1.7 million during the second quarter of 2000 as compared to \$1.5 million during the same period in 1999. The increase is due to higher litigation costs.

Development expenses for the second quarter of 2000 increased 26% to \$6.4 million as compared to \$5.1 million during the second quarter of 1999. The increase is due to further investment in resources to support 3G development programs.

Other Income and Expense

Interest income for the second quarter of 2000 increased to \$1.4 million from \$0.9 million in the second quarter of 1999 due to higher average invested cash balances in the second quarter of 2000.

Six Months Ended June 30, 2000 Compared to Six Months Ended June 30, 1999

Revenues

Revenues for the six months ended June 30, 2000 decreased to \$25.5 million from \$47.5 million for the six months ended June 30, 1999 primarily due to a lower amount of licensing revenue from new sources. For the first half of 2000, recurring royalty revenue was \$11.8 million (\$8.5 million on a pre-SAB No. 101 basis), specialized engineering service revenue was \$8.1 million and the final revenue related to the UltraPhone product was \$5.6 million. Licensing and strategic partner revenues for the six months ended June 30, 1999 included \$39.4 million from new licensing agreements, \$5.7 million from engineering development services and \$0.8 million in recurring royalties.

Cost of Product

Cost of product for the six months ended June 30, 2000 increased 74% to \$5.2 million from \$2.9 million for the six months ended June 30, 1999 due to increased product sales.

Other Operating Expenses

Sales and Marketing expenses increased 35% to \$2.2 million during the six months ended June 30, 2000 compared to \$1.7 million during the six months ended June 30, 1999. The increase is primarily due to costs associated with strategic marketing analysis activities.

General and administrative expenses for the six months ended June 30, 2000 increased 71% to \$5.9 million from \$3.4 million for the six months ended June 30, 1999. The increase is primarily due to higher costs associated with a variety of strategic planning initiatives.

Patents administration and licensing activities expense decreased 69% in the six months ended June 30, 2000 to \$1.3 million compared to \$4.3 million in the first half of 1999. The decrease reflects a net overall decrease in recognized costs related to the Ericsson litigation. This includes recoveries under our insurance policies of over \$1.5 million recorded in the first quarter 2000 for litigation costs incurred in the prior year. In February of 2000, we and our insurers defined a method, timing and limitation of recovery for covered litigation expenses. Costs related to litigation are now recorded net of the anticipated reimbursements from our insurance carrier.

Development expenses increased 11% for the six months ended June 30, 2000 to \$11.9 million from \$10.7 million for the six months ended June 30, 1999. The increase over the prior year period is due primarily to increased staff and activity levels devoted to development of advanced 3G wireless applications.

Other Income and Expense

Interest income for the six months ended June 30, 2000 was \$3.0 million as compared to \$1.8 million for the same period in 1999 as a result of higher than average invested cash in 2000, as compared to 1999. Interest expense for the six month period ended June 30, 2000 was \$135,000 as compared to \$173,000 for the six month period ended June 30, 1999 due to lower overall debt in the first half of 2000 as compared to the first half of 1999.

STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The foregoing Management's Discussion and Analysis contains forward-looking statements reflecting, among other things, current beliefs and expectations as to our ability to market system-on-a-chip ASICs and components and to generate revenues through licensing, our ability to form strategic partnerships, timing of 3G market development, 3G standards, sources of and variability in revenue streams and operating results, and our ability to support our operating requirements. Words such as "project", "plan", and "expect", variations of such words, and words with similar meaning or connotations are intended to identify such forward-looking statements.

Such statements are subject to risks and uncertainties. We caution the readers that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such forward looking statement. For example, the timing and development of 3G markets depends on economic conditions, customer buying patterns, pricing, growth of telecommunications services, and availability of capital. The applicability of standards could be affected by refinements in the standards, the validity of our patents, and determinations as to applicability of our patents. Our ability to market system-on-a-chip ASICs and components and to generate revenues through licensing may be affected by general economic and industry specific conditions, our ability to achieve our development goals and the abilities of certain third parties to meet our expectations and/or commitments, our ability to enter into additional alliances, strategic engineering relationships and/or licenses for its patents and other intellectual property on acceptable terms, changes in standards, adverse court decisions, impending or future litigation, adverse developments in the Ericsson patent litigation and the costs related to enforcement of our patent rights. Further, the Company's ability to pursue and achieve its development activities, and consequently, to generate revenues therefrom could be adversely affected by the Company's inability to retain its technical personnel in the highly competitive wireless market and to engage sufficient additional persons to pursue these activities. Sources and fluctuations in revenues and operating results may be affected by the length and variability of negotiating cycles for partnership and licensing agreements, changes in markets for our technology arising from the rapid changes in technology development generally, our ability to enter into new license or partnership agreements either at all or on acceptable terms, our ability to enforce existing license agreements and intellectual property rights, the outcomes of patent related litigation and proceedings, including the current Ericsson litigation, and the levels of sales by licensees. We may be unable to enter into additional strategic relationships, either at all or on acceptable terms or in a timely manner, which could impair our ability to introduce our technology and resulting products. Our ability to support our operating requirements could be affected by shifts in our strategies as well as the above risk factors. In addition, factors affecting one forward looking statement may affect other forward looking statements and other factors may exist that are not listed above or that are not fully known to us at this time. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

There have been no material changes in quantitative and qualitative market risk from the disclosure included in the December 31, 1999 Form 10-K.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

As reported in the Company's latest Annual Report on Form 10-K and Quarterly Report for the first quarter of 2000, the Company is a party to a lawsuit involving Cavalier Technologies and Consultants Ltd. in which Cavalier seeks damages in the form of direct and indirect damages and lost profits. Cavalier also seeks injunctive relief preventing InterDigital from shipping remaining inventory of UltraPhone equipment to other customers. During the second quarter of 2000, InterDigital filed a motion for Summary Judgement, which motion was denied. The case is in the process of being scheduled for trial.

The Company is a party to additional pending litigation, as reported in the Company's latest Annual Report on Form 10-K and Quarterly Report for the first quarter of 2000, for which there are no material updates.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At our Annual Meeting of Shareholders held on June 1, 2000, our shareholders elected Mr. D. Ridgely Bolgiano and Mr. Mark Gercenstein as directors of the Company and ratified the appointment of Arthur Andersen LLP as the Company's independent accountants for the year ending December 31, 2000. Our shareholders elected Mr. Bolgiano as a director by a vote of 53,309,621 in favor, and 741,807 withheld. Our shareholders elected Mr. Gercenstein as a director by a vote of 50,309,121 in favor, and 742,307 withheld. Messrs. Harry G. Campagna, Steven T. Clontz, Joseph S. Colson, Jr. and Robert S. Roath also continued to serve their terms as directors. The vote approving the adoption of the Company's 2000 Stock Award and Incentive Plan was 45,564,010 shares for, 5,290,895 shares against and 196,523 shares abstaining. The vote ratifying the appointment of Arthur Andersen LLP was 50,536,020 shares for, 397,484 shares against and 117,924 shares abstaining. There were no broker non-votes with respect to any matters voted on at this Meeting.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following is a list of exhibits filed as part of this quarterly report on Form 10-Q:

Exhibit 10.26	Employment Agreement dated April 17, 2000 by and between InterDigital and Mark Gercenstein.
Exhibit 10.27	Separation and Confidentiality Agreement dated June 30, 2000 by and between InterDigital and Joseph Gifford.
Exhibit 10.28	2000 Stock Award and Incentive Plan.
Exhibit 10.29	Amendment to 1992 Employee Stock Option Plan.
Exhibit 10.30	Amendment to 1992 Incentive Stock Option Plan.
Exhibit 10.31	Amendment to Non-Qualified Stock Option Plan.
Exhibit 10.32	Amendment to 1992 Non-Qualified Stock Option Plan.
Exhibit 10.33	Amendment to 1995 Stock Option Plan for Employees and Outside Directors.
Exhibit 10.34	Amendment to 1997 Stock Option Plan for Non-Employee Directors.
Exhibit 10.35	Amendment to Incentive Stock Option Plan.
Exhibit 10.36	Amendment dated as of April 6, 2000 by and between InterDigital and Richard J. Fagan.
Exhibit 10.37	Amendment dated as of April 6, 2000 by and between InterDigital and Mark Lemmo.

Exhibit 10.38	Amendment dated as of April 6, 2000 by and between InterDigital and William Merritt.
Exhibit 10.39	Amendment dated as of April 6, 2000 by and between InterDigital and Charles R. Tilden.
Exhibit 10.40	Amendment dated as of April 6, 2000 by and between InterDigital and Joseph Gifford.
Exhibit 10.41	Amendment dated as of April 6, 2000 by and between InterDigital and Howard E. Goldberg.
Exhibit 10.42	1997 Stock Option Plan for Non-Employee Directors, as amended March 30, 2000.
Exhibit 10.43	1999 Restricted Stock Plan, as amended April 13, 2000.
Exhibit 27	Financial Data Schedule.

(b) The following is a list of Current Reports on Form 8-K filed during the second quarter of 2000:

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INTERDIGITAL COMMUNICATIONS CORPORATION

Date: August 14, 2000

/s/ Mark Gercenstein

*Mark Gercenstein, Chief Executive
Officer*

Date: August 14, 2000

/s/ R. J. Fagan

*Richard J. Fagan, Executive Vice
President and Chief Financial
Officer*

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made as of this 17th day of April, 2000, by and between MARK GERCENSTEIN, (the "Employee"), and InterDigital Communications Corporation, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania (the "Company").

WHEREAS, the Company is engaged in the business of development and marketing digital wireless telecommunications technologies and components technologies for advanced wireless applications, including voice and high data rate applications, and the licensing of wireless digital telephone technology and patents, as such business may be redefined from time to time and described as such in the Company's then current Annual Report on Form 10-K (the "Business").

WHEREAS, the Company has offered Employee employment as the Chief Executive Officer of the Company and an appointment to the Company's Board of Directors, and Employee is willing to accept such offer, as set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, and intending to be legally bound, the parties, subject to the terms and conditions set forth herein, agree as follows:

1. Employment and Term. The Company hereby employs Employee and Employee hereby accepts employment with the Company, as Chief Executive Officer of the Company, (such position, Employee's "Position") for a period commencing on April 17, 2000 and continuing until employment hereunder is terminated pursuant to the provisions of Section 10 hereof (the "Term").
2. Duties. During the term of his employment, Employee shall serve the Company faithfully and to the best of his ability and shall devote his full time, attention, skill and efforts to the performance of the duties required by or appropriate for his Position. Employee agrees to assume such duties and responsibilities as may be customarily incident to such position, and as may be reasonably assigned to Employee from time to time by the Board of Directors of the Company. Employee shall report to the Chairman of the Board and the Board of Directors of the Company. Only the Board of Directors shall have the authority to terminate Employee's employment.
3. Director Position. Executive shall be appointed a director of the Company promptly after Executive's commencement of employment with the Company as CEO, and shall be nominated for election as a director at the 2000 Annual Meeting of the Company's Shareholders. Executive agrees that, without further action or acknowledgment by Executive or the Company, his position as a director shall terminate upon Executive's termination of employment as set forth in Section 10 hereto.

4. Other Business Activities. During the Term, Employee will not, without the prior written consent of the Company, directly or indirectly engage in any other business activities or pursuits whatsoever, except activities in connection with any charitable or civic activities, personal investments and serving as an executor, trustee or in other similar fiduciary capacity; provided, however, that such activities do not interfere with his performance of his responsibilities and obligations pursuant to this Agreement.

5. Compensation.

A) Base Salary. The Company shall pay Employee, and Employee hereby agrees to accept, as compensation for all services rendered hereunder and for Employee's covenant not to compete as provided for in Section 9 hereof, a base salary at the annual rate of Three Hundred Fifty Thousand Dollars (subject to any increase from time to time in accordance with Company compensation policies, the "Base Salary"). The Base Salary shall be inclusive of all applicable income, social security and other taxes and charges which are required by law to be withheld by the Company or which are requested to be withheld by Employee, and which shall be withheld and paid in accordance with the Company's normal payroll practice for its similarly situated employees from time to time in effect.

B) Annual Incentive Bonus. Employee shall be eligible to participate in the Company's Employee Incentive Bonus Plan, as amended from time to time (the " Bonus Plan"), on the terms and conditions no less favorable than those provided to the other Company senior and executive officers. For the Year 2000, Executive shall have a target bonus level of \$100,000 under the Bonus Plan, based on the achievement of business and personal goals to be set by the Board of Directors. For the Year 2001 and thereafter, Executive shall have a target bonus of 57% of Executive's Base Salary under the Bonus Plan. The goals shall be consistent with the goals set for other senior and executive officers. For all years, the Company may pay up to 30% of the actual bonus achieved in restricted stock or restricted stock units, with the remainder to be paid in cash. The bonus shall be subject to the terms of the Bonus Plan, as amended from time to time. The restricted stock (or restricted stock units (RSUs)) (i) shall be subject to the terms and conditions of the Company's applicable restricted stock plan, as amended from time to time, (ii) shall vest upon grant but shall be subject to a two year holding period, and (iii) shall be grossed-up for income tax purposes.

C) Special Bonus. Executive shall be entitled to a special bonus of \$100,000 to be paid on or about December 31, 2000, provided that Executive is still employed by the Company as of such date.

D) Signing Bonus. Executive shall be paid a signing bonus of \$100,000, such amount to be paid no later than April 27, 2000. Such amount includes all reimbursements for tax and financial planning assistance.

E) Stock Options. No later than April 17, 2000, Executive will be granted options to purchase 150,000 shares of the Company's common stock at an exercise price equal to the closing market price on the American Stock Exchange of the Company's common stock on the date of grant as reported in the Wall Street Journal ("FMV"). Such options shall be granted

pursuant to, and shall be governed by, the terms and conditions of the Company stock option plans ("Option Plans") under which such options are granted. Subject to such terms and conditions of the Option Plans, the stock options shall vest as follows:

June 30, 2000	25,000 shares
December 31, 2000	25,000 shares
June 30, 2001	25,000 shares
December 31, 2001	25,000 shares
June 30, 2001	25,000 shares
December 31, 2001	25,000 shares

As part of such grant, Incentive Stock Options (ISO) will be used to the fullest extent permitted by law, with the balance granted as Non-Qualified Options (NQs). (For example, at \$32 per share, 9,375 incentive stock options with three-year step vesting (i.e., ISO rules limit face value to \$100,000 vesting in any year) and 140,625 non-qualified options will be granted). Executive will also be eligible to receive future stock option grants from the Company on terms and conditions no less favorable than the Company's other executive officers, with the grant price of such additional options to be the FMV as of the grant date.

F) Restricted Stock Grant. Upon execution of this Agreement by Executive and the Company, Executive will be granted 30,000 RSUs. Such RSUs (i) shall be subject to the terms and conditions of the Company's 1999 Restricted Stock Plan, as amended from time to time, and (ii) shall vest (in a single tranch) three years after the grant date. Executive shall not be entitled to any gross-up, loan or other payments for income tax liabilities associated with such grant. Executive may elect to defer delivery of the RSUs for up to one year after the scheduled vesting date. Notwithstanding the forgoing, if Executive is terminated without "Cause" (as defined herein), Executive's RSUs shall be deemed to have vested according to the following schedule but shall bear a three year restriction on transfer:

June 30, 2000	5,000 shares
December 31, 2000	5,000 shares
June 30, 2001	5,000 shares
December 31, 2001	5,000 shares
June 30, 2001	5,000 shares
December 31, 2001	5,000 shares

6. Benefits and Expenses.

A) Company Plan Participation. Employee and his dependants shall be entitled to receive those employee benefits (including without limitation medical plan, dental plan, optional 401K participation and expense reimbursement) as shall be provided to similarly situated executive employees of the Company ("Benefits"). In addition, prior to the time that Employee relocates within a reasonable commuting distance to King of Prussia, Pennsylvania, Employee shall be entitled to receive up to \$3,250 as reimbursement for (i) costs incurred relating to Executive's temporary residence located in the King of Prussia, PA vicinity, and (ii) automobile expenses (including insurance). In the event of Executive's relocation to the King of Prussia, PA

vicinity, Executive will be eligible to receive an automobile allowance in an amount to be agreed to but not less than \$750 per month.

B) Vacation. Employee will be entitled to four weeks vacation with the ability to carry over any unused vacation earned in a given year to the following year. Employee will require Board approval to the extent that Employee desires to take vacation in excess of four weeks in any given year.

C) Retirement Plans. A senior executive retirement plan is unavailable at this time, but the Company is currently reviewing the feasibility of such an arrangement with an outside compensation consultant. In the event that the Company institutes such a plan, Employee shall be entitled to participate on terms no less favorable than the Company's other senior executives.

D) Parachute Payments. In the event any amount or benefit payable to the Employee under this Agreement or under any other plan, agreement or arrangement applicable to the Employee, is subject to an excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or imposed under any successor provision of the Code imposing a tax liability on "excess parachute payments" as that term is defined in Code Section 280G), Employee shall be entitled, in addition to any other amounts payable under the terms of this Agreement or under any other plan, agreement or arrangement applicable to the Employee, to a cash payment in an amount sufficient to indemnify the Employee (or such other person as may be liable for the payment of such excise tax) for the amount of any such excise tax, and leaving Grantee with an amount, net after all federal, state and local taxes, equal to the amount Grantee would have had if no portion of his benefit under the Plan constituted an "excess parachute payment. Notwithstanding the foregoing, the determination of the amount necessary to indemnify the Employee shall be made taking into account all other payments made to the Employee under any plans, agreements or arrangements aside from this Agreement that are intended to indemnify the Employee with respect to excise taxes on "excess parachute payments. Any disputes as to calculations to be made under this paragraph shall be resolved by the Company's independent auditors, whose determinations shall be final and binding.

7. Confidentiality. Employee recognizes and acknowledges that the Proprietary Information (as hereinafter defined) is a valuable, special and unique asset of the Business of the Company. As a result, both during the Term and thereafter, Employee shall not, without the prior written consent of the Company, for any reason either directly or indirectly divulge to any third-party or use for his own benefit, or for any purpose other than the exclusive benefit of the Company, any confidential, proprietary, business and technical information or trade secrets of the Company or of any subsidiary or affiliate of the Company ("Proprietary Information") revealed, obtained or developed in the course of his employment with the Company. Such Proprietary Information shall include, but shall not be limited to, the intangible personal property described in Section 8(B) hereof, any information relating to methods of production and manufacture, research, computer codes or instructions (including source and object code listings, program logic algorithms, subroutines, modules or other subparts of computer programs and related documentation, including program notation), computer processing systems and techniques, concepts, layouts, flowcharts, specifications, know-how, any associated user or service manuals or other like textual materials (including any other data and materials used in performing the

Employee's duties), all computer inputs and outputs (regardless of the media on which stored or located), hardware and software configurations, designs, architecture, interfaces, plans, sketches, blueprints, and any other materials prepared by the Employee in the course of, relating to or arising out of his employment by the Company, or prepared by any other Company employee, representative, or contractor for the Company, or its customers, costs, business studies, business procedures, finances, marketing data, methods, plans and efforts, the identities of licensees, strategic partners, customers, contractors and suppliers and prospective licensees, strategic partners, customers, contractors and suppliers, the terms of contracts and agreements with licensees, strategic partners, customers, contractors and suppliers, the Company's relationship with actual and prospective licensees, strategic partners, customers, contractors and suppliers and the needs and requirements of, and the Company's course of dealing with, any such actual or prospective licensees, strategic partners, customers, contractors and suppliers, personnel information, customer and vendor credit information, and any other materials that have not been made available to the general public, provided, that nothing herein contained shall restrict Employee's ability to make such disclosures during the course of his employment as may be necessary or appropriate to the effective and efficient discharge of the duties required by or appropriate for his Position or as such disclosures may be required by law; and further provided, that nothing herein contained shall restrict Employee from divulging or using for his own benefit or for any other purpose any Proprietary Information that is readily available to the general public so long as such information did not become available to the general public as a direct or indirect result of Employee's breach of this Section 7. Failure by the Company to mark any of the Proprietary Information as confidential or proprietary shall not affect its status as Proprietary Information under the terms of this Agreement.

8. Property.

A) Ownership. All right, title and interest in and to Proprietary Information shall be and remain the sole and exclusive property of the Company (or its partners, customers, vendors, etc., as the case may be). During the Term, Employee shall not remove from the Company's offices or premises any documents, records, notebooks, files, correspondence, reports, memoranda or similar materials of or containing Proprietary Information, or other materials or property of any kind belonging to the Company unless necessary or appropriate in accordance with the duties and responsibilities required by or appropriate for his Position and, in the event that such materials or property are removed, all of the foregoing shall be returned to their proper files or places of safekeeping as promptly as possible after the removal shall serve its specific purpose. Employee shall not make, retain, remove and/or distribute any copies of any of the foregoing for any reason whatsoever except as may be necessary in the discharge of his assigned duties and shall not divulge to any third person the nature of and/or contents of any of the foregoing or of any other oral or written information to which he may have access or with which for any reason he may become familiar, except as disclosure shall be necessary in the performance of his duties; and upon the termination of his employment with the Company, he shall leave with or return to the Company all originals and copies of the foregoing then in his possession, whether prepared by Employee or by others.

B) Assignment.

(i) Employee agrees that all right, title and interest in and to any innovations, designs, systems, analyses, ideas for marketing programs, and all copyrights, patents, trademarks and trade names, or similar intangible personal property which have been or are developed or created in whole or in part by Employee (1) at any time and at any place while the Employee is employed by Company and which, in the case of any or all of the foregoing, are related to and used in connection with the Business of the Company, (2) as a result of tasks assigned to Employee by the Company, or (3) from the use of premises or personal property (whether tangible or intangible) owned, leased or contracted for by the Company (collectively, the "Intellectual Property"), shall be and remain forever the sole and exclusive property of the Company. The Employee shall promptly disclose to the Company all Intellectual Property, and the Employee shall have no claim for additional compensation for the Intellectual Property.

(ii) Employee acknowledges that all the Intellectual Property that is copyrightable shall be considered a work made for hire under United States Copyright Law. To the extent that any copyrightable Intellectual Property may not be considered a work made for hire under the applicable provisions of the United States Copyright Law, or to the extent that, notwithstanding the foregoing provisions, the Employee may retain an interest in any Intellectual Property that is not copyrightable, the Employee hereby irrevocably assigns and transfers to the Company any and all right, title, or interest that the Employee may have in the Intellectual Property under copyright, patent, trade secret and trademark law, in perpetuity or for the longest period otherwise permitted by law, without the necessity of further consideration. The Company shall be entitled to obtain and hold in its own name all copyrights, patents, trade secrets, and trademarks with respect thereto.

(iii) Employee further agrees to reveal promptly all information relating to the same to an appropriate officer of the Company and to cooperate with the Company and execute such documents as may be necessary or appropriate (1) in the event that the Company desires to seek copyright, patent or trademark protection, or other analogous protection, thereafter relating to the Intellectual Property, and when such protection is obtained, to renew and restore the same, or (2) to defend any opposition proceedings in respect of obtaining and maintaining such copyright, patent or trademark protection, or other analogous protection.

(iv) In the event the Company is unable after reasonable effort to secure Employee's signature on any of the documents referenced in Section 8.1(iii) hereof, whether because of Employee's physical or mental incapacity or for any other reason whatsoever, Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Employee's agent and attorney-in-fact, to act for and in his behalf and stead to execute and file any such documents and to do all other lawfully permitted acts to further the prosecution and issuance of any such copyright, patent or trademark protection, or other analogous protection, with the same legal force and effect as if executed by Employee.

9. Covenant Not to Compete. The Employee shall not, during the Term and thereafter for the Restricted Period (as defined below), do any of the following, directly or indirectly, without the prior written consent of the Company:

A) engage or participate in any business activity competitive with the Company's Business, or the business of any of the Company's subsidiaries or affiliates, as same are conducted during the Term with respect to any period during the Term, or upon the termination of Employee's employment hereunder with respect to any period thereafter;

B) become interested in (as owner, stockholder, lender, partner, co-venturer, director, officer, employee, agent, consultant or otherwise) any person, firm, corporation, association or other entity engaged in any business that is competitive with the Business of the Company or of any subsidiary or affiliate of the Company as conducted during the Term with respect to any period during the Term, or upon the termination of Employee's employment hereunder with respect to any period thereafter, or become interested in (as owner, stockholder, lender, partner, co-venturer, director, officer, employee, agent, consultant or otherwise) any portion of the business of any person, firm, corporation, association or other entity where such portion of such business is competitive with the business of the Company or of any subsidiary or affiliate of the Company as conducted during the Term with respect to any period during the Term, or upon termination of Employee's employment hereunder with respect to any period thereafter. Notwithstanding the foregoing, Employee may hold not more than one percent (1%) of the outstanding securities of any class of any publicly-traded securities of a company that is engaged in activities referenced in Section 8(a) hereof;

C) influence or attempt to influence any licensee, strategic partner, supplier, or customer of the Company or potential licensee, strategic partner, supplier or customer of the Company to terminate or modify any written or oral agreement or course of dealing with the Company; or

D) influence or attempt to influence any person to either (i) terminate or modify his employment, consulting, agency, distributorship or other arrangement with the Company, or (ii) employ or retain, or arrange to have any other person or entity employ or retain, any person who has been employed or retained by the Company as an employee, consultant, agent or distributor of the Company at any time during the twelve (12) month period immediately preceding the termination of Employee's employment hereunder.

For purposes of this Section 9, the Restricted Period shall constitute a period ending one (1) year after Employee's termination date, regardless of the reason for termination.

10. Termination. Employee's employment hereunder may be terminated during the Term upon the occurrence of any one of the events described in this Section 10. Upon termination, Employee shall be entitled only to such compensation and benefits as described in this Section 10.

10.1 Termination by Employee. Employee may terminate Employee's employment hereunder at any time, for Good Reason or without Good Reason, effective upon the date designated by Employee in written notice of the termination of his employment hereunder pursuant to this Section 1. For purposes of this Agreement, Good Reason shall mean the failure by the Company to pay in a timely manner base salary or any other material form of

compensation or material Benefit to be paid or provided to Employee which failure is not cured within ten (10) business days after notice to Company. In the event of a termination of Employee's employment hereunder pursuant to this Section 10.1, this Agreement shall terminate effective upon receipt by Company of Employee's notice of termination. In such event, Employee's rights to compensation and benefits hereunder shall terminate as of the date of termination, except that Employee shall be entitled to the accrued and unpaid base salary, employee benefits (including expense reimbursement) as provided herein ("Benefits") and other forms of compensation and bonus payable herein ("Other Compensation") up through the date of termination. In addition, solely if such termination is for Good Reason and provided Employee signs Company's standard form termination letter as provided for in Section 11 below, Employee shall be entitled to receive (i) severance in an amount equal to the Employee's base salary, and (ii) medical and dental coverage on terms and conditions comparable to those most recently provided to the Employee pursuant to this Agreement, both (i) and (ii) for the period of eighteen (18) months commencing upon the date of such termination. Employee shall also be entitled to receive severance in an amount equal to fifty percent (50%) of Employee's target bonus (plus special bonus if terminated prior to December 31, 2000) for the year in which Employee was terminated, payable over a period of eighteen (18) months commencing upon the date of such termination. Such severance shall be inclusive of all applicable income, social security and other taxes and charges which are required by law to be withheld by the Company and shall be withheld and paid in accordance with the Company's normal payroll practice for its employees from time to time in effect. Except as specifically set forth in this Section 10.1, all base salary, Benefits and Other Compensation shall cease at the time of such termination, subject to the terms of any benefit or compensation plan then in force and applicable to Employee. Except as specifically set forth in this Section 10.1, the Company shall have no liability or obligation to Employee or any other person claiming under or through him by reason of such termination.

10.2 Termination for Cause. If Company terminates Employee's employment for Cause, then this Agreement shall terminate immediately and Employee's rights to compensation and benefits hereunder shall terminate as of the date of termination, except that Employee shall be entitled to the accrued and unpaid portion of his base salary, Benefits and Other Compensation up through the date of termination. For purposes of this Agreement, the term "Cause" shall mean (i) any material breach of Employee's employment obligations, which breach remains uncured thirty (30) days after written notice of such breach from the Company, or (ii) an act by Employee involving any type of willful misconduct with respect to the Company, including without limitation fraud, embezzlement, theft or proven dishonesty in the course of his employment; or (iii) during the term of Employee's employment, Employee's conviction of a felony. Except as specifically set forth in this Section 10.2, the Company shall have no liability or obligation to Employee or any other person claiming under or through him by reason of such termination.

10.3 Termination on Death. If Employee dies, then this Agreement shall terminate immediately and Employee's rights to compensation and benefits hereunder shall terminate as of the date of death, except that Employee's executors, legal representatives or administrators shall be entitled to the accrued and unpaid portion of his base salary, Benefits and Other Compensation up through the date of death. Except as specifically set forth in this Section 10.3, the Company shall have no liability or obligation hereunder to Employee's executors, legal

representatives, administrators, heirs or assigns or any other person claiming under or through him by reason of Employee's death, except that Employee's executors, legal representatives, administrators, or beneficiaries will be entitled to receive the payment prescribed under any life, death or disability benefits plan in which he is a participant as an employee of the Company, and to exercise any rights afforded under any compensation or benefit plan then in effect.

10.4 Termination on Disability. In the event of a long-term disability of the Employee (as such term is defined in the Company's Long-Term Disability Plan) such that the Employee is not otherwise qualified to perform the essential functions of the job with or without reasonable accommodation ("Disability"), Employee's employment hereunder may be terminated by the Company. In such event, this Agreement shall terminate on the date of termination and Employee will be entitled to receive all accrued and unpaid base salary and Benefits and Other Compensation, including payments prescribed under any disability insurance plan or arrangement in which Employee is a participant. Except as specifically set forth in this Section 10.4, the Company shall have no liability or obligation to Employee or any other person claiming under or through him by reason of Employee's disability or such termination.

10.5 Termination Without "Cause". The Company may terminate Employee's employment hereunder at any time, for any reason, without cause, effective upon the date designated by the Company. In the event Company terminates Employee's employment without Cause or Disability, as set forth above, this Agreement shall terminate on the date of termination and Employee shall be entitled to receive all accrued but unpaid base salary, Benefits and Other Compensation up to the date of termination. In addition, provided Employee signs Company's standard form termination letter as provided for in Section 8 below, Employee shall be entitled to receive (i) severance in an amount equal to the Employee's base salary, and (ii) medical and dental coverage on terms and conditions comparable to those most recently provided to the Employee pursuant to this Agreement, both (i) and (ii) for the period of eighteen (18) months commencing upon the date of such termination. Employee shall also be entitled to receive severance in an amount equal to fifty percent (50%) of Employee's target bonus (plus special bonus if terminated prior to December 31, 2000) for the year in which Employee was terminated, payable over a period of eighteen (18) months commencing upon the date of such termination. Such severance shall be inclusive of all applicable income, social security and other taxes and charges which are required by law to be withheld by the Company and shall be withheld and paid in accordance with the Company's normal payroll practice for its employees from time to time in effect. Except as specifically set forth in this Section 10.5, the Company shall have no liability or obligation to Employee or any other person claiming under or through him by reason of such termination.

10.6 Termination for Absenteeism

(A) Regular attendance at work or in conducting work is an essential element of Employee's job. Without limiting the Company's right to terminate Employee pursuant to Section 10.2 or 10.4 herein, in the event that Employee is absent for more than one hundred and fifty (150) days within any twelve (12) month period, Employee's employment hereunder may be terminated by Company.

(B) In the event of a termination of Employee's employment hereunder pursuant to Section 10.6(a), Employee will be entitled to receive all accrued and unpaid (as of the date of such termination) base salary and Benefits and Other Compensation, including payments prescribed under any disability or life insurance plan or arrangement in which Employee is a participant or to which Employee is a party as an employee of the Company. In addition, provided Employee signs Company's standard form termination letter as provided for in Section 11 below, Employee shall be entitled to receive (i) severance in an amount equal to the Employee's base salary, and (ii) medical and dental coverage on terms and conditions comparable to those most recently provided to the Employee pursuant to this Agreement (to the extent such coverage is not provided under other Company policies, plans or programs relating to Disability), both (i) and (ii) for the period of eighteen (18) months commencing upon the date of such termination. Employee shall also be entitled to receive severance in an amount equal to fifty percent (50%) of Employee's target bonus (plus special bonus if terminated prior to December 31, 2000) for the year in which Employee was terminated, payable over a period of eighteen (18) months commencing upon the date of such termination. Such severance amounts shall be reduced by the amount of payments received by the Employee with respect to this period pursuant to any Social Security entitlement or any long term disability or any other employee benefit plan, policy or program maintained to provide benefits in the event of disability in which the Employee was entitled to participate at the time of termination under Section 10.6(a). Except as specifically set forth in this Section 10.6(b), the Company shall have no liability or obligation to Employee for compensation or benefits hereunder by reason of such termination.

10.7 Change of Control.

(A) If there is a Change of Control during the Term, and Employee's employment with the Company hereunder is terminated within one (1) year following such Change of Control by the Company (except for cause) or by Employee (whether or not for Good Reason) and provided Employee signs Company's standard form termination letter as provided for in Section 11 below, Employee shall be entitled to receive all accrued but unpaid (as of the effective date of such termination) base salary, Benefits and Other Compensation. In addition, (i) Employee shall be entitled to receive, on the date of such termination, an amount equal to (a) two (2) years' worth of Employee's base salary, (b) 100% of the special bonus if the Change of Control occurs prior to December 31, 2000, and (c) 100% of the target annual bonus; and (ii) all stock options granted to Employee by Company which pursuant to the terms of the applicable Option Plan vest upon a Change in Control (e.g., Section 17(b) of the 1995 Stock Option Plan for Employees and Outside Directors) shall vest, and (iii) all restrictions on restricted stock and RSUs which pursuant to the terms of the applicable restricted stock plan lift (including as to vesting) shall be lifted. Except as specifically set forth in this Section 10.7, all base salary, Benefits and Other Compensation shall cease at the time of such termination, subject to the terms of any benefit or compensation plans then in force and applicable to Employee, and the Company shall have no liability or obligation hereunder by reason of such termination.

(B) For purposes of this Section 10.7, a "Change of Control" means the acquisition (including by merger or consolidation, or by the issuance by the Company of its securities) by one or more persons in one transaction or a series of related transactions, of more than fifty percent (50%) of the voting power represented by the outstanding stock of the

Company on the date hereof or a sale of substantially all of the assets of the Company. For these purposes, "Person" means an individual, partnership, corporation, joint venture, association, trust, unincorporated association, other entity or association.

11. Termination Letter. As a condition precedent to the Company's payment of severance and continuation of medical and dental insurance coverage pursuant to Sections 10.1, 10.5, 10.6 and 10.7 above, Employee must sign and deliver to Company termination letter, without revocation, which includes a broad-based employment release (containing, without limitation, a release of claims for age discrimination), an obligation to return Company property and a reiteration of Employee's confidentiality obligations, within the time frame specified in the termination letter.

12. Company Understanding. The Company does not want to benefit from any proprietary or other information, in any form, that Employee is under a duty not to use or divulge, whether it be from Employee's current employer or any other person or entity. Accordingly and as a condition of employment hereunder, Employee is instructed not to violate the terms of any such restriction or otherwise breach said duty. In furtherance thereof, and without limiting other action, Employee represents and warrants to the Company that:

A) There are no restrictions, agreements or understandings whatsoever to which Employee is a party which would prevent or make unlawful Employee's execution of this Agreement or Employee's employment hereunder, or which are or would be inconsistent or in conflict with this Agreement or Employee's employment hereunder, or would prevent, limit or impair in any way the performance by Employee of his obligations hereunder,

B) Employee's execution of this Agreement and Employee's employment hereunder shall not constitute a breach of any contract, agreement or understanding, oral or written, to which Employee is a party or by which Employee is bound, and

C) Employee is free to execute this Agreement and to enter into the employ of the Company pursuant to the provisions set forth herein.

13. Survival of Provisions. Notwithstanding anything in this Agreement to the contrary, all representations, warranties, obligations of performance, statements, responsibilities, indemnities, terms or conditions impliedly or expressly involving performance subsequent to the expiration or termination of this Agreement, or which cannot be determined to have been fully performed until after such time, or which by a fair reading of their nature are intended to survive shall be deemed to survive. If for any reason Employee shall continue to be employed by the Company following the termination of Employee's employment under this Agreement, Employee shall have no right to receive any severance or other payments hereunder until Employee ceases to be employed by the Company, whereupon Employee's right to severance or other payments, if any, shall be governed by the provisions of Section 10 hereof with respect to the particular circumstances involved in the Employee's termination of employment.

14. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the Company and Employee and their respective successors, executors, administrators,

heirs and/or permitted assigns; provided, however, that neither Employee nor the Company may make any assignments of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other parties hereto.

15. Employee Benefits. This Agreement shall not be construed to be in lieu or to the exclusion of any other rights, benefits and privileges to which Employee may be entitled as an employee of the Company under any retirement, pension, profit-sharing, insurance, hospital or other plans or benefits which may now be in effect or which may hereafter be adopted.

16. Notice. Any notice or communication required or permitted under this Agreement shall be made in writing and sent by certified or registered mail, return receipt requested, by hand delivery, or by recognized overnight courier, addressed as follows:

If to Employee:

Mark Gercenstein
c/o InterDigital Communications Corporation
781 Third Avenue
King of Prussia, Pennsylvania 19406

If to Company:

InterDigital Communications Corporation
781 Third Avenue
King of Prussia, Pennsylvania 19406
Attn: Harry Campagna, Chairman

with a copy to:

InterDigital Communications Corporation
781 Third Avenue
King of Prussia, Pennsylvania 19406
Attn: Harry Campagna, Chairman

or to such other address as either party may from time to time duly specify by notice given to the other party in the manner specified above.

17. Entire Agreement; Amendments. This Agreement contains the entire agreement and understanding of the parties hereto relating to the subject matter hereof, and merges and supersedes all prior and contemporaneous discussions, agreements and understandings of every nature between the parties hereto relating to the employment of Employee with the Company excepting the non-disclosure agreement and the Statement of Ethics signed by Employee at the commencement of Employee's employment with the Company, various forms related to the commencement of Employee's employment with the Company and Employee's participation in employee benefit plans offered by the Company (including, without limitation, option and restricted stock agreements), and agreements to be bound by Company policies to the extent that

these other agreements do not conflict with the terms of this Agreement. This Agreement may not be changed or modified, except by an Agreement in writing signed by each of the parties hereto.

18. Waiver. The waiver of the breach of any term or provision of this Agreement shall not operate as or be construed to be a waiver of any other or subsequent breach of this Agreement.

19. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania.

20. Invalidity. In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the validity of any other provision of this Agreement, and such provision(s) shall be deemed modified to the extent necessary to make it enforceable.

21. Section Headings. The section headings in this Agreement are for convenience only; they form no part of this Agreement and shall not affect its interpretation.

22. Number of Days. In computing the number of days for purposes of this Agreement, all days shall be counted, including Saturdays, Sundays and legal holidays; provided, however, that if the final day of any time period falls on a Saturday, Sunday or day which is a holiday in the Commonwealth of Pennsylvania, then such final day shall be deemed to be the next day which is not a Saturday, Sunday or legal holiday.

23. Specific Enforcement; Extension of Period.

A) Employee acknowledges that the restrictions contained in Sections 7, 8 and 9 hereof are reasonable and necessary to protect the legitimate interests of the Company and its affiliates and that the Company would not have entered into this Agreement in the absence of such restrictions. Employee also acknowledges that any breach by him of Sections 7, 8 or 9 hereof will cause continuing and irreparable injury to the Company for which monetary damages would not be an adequate remedy. The Employee shall not, in any action or proceeding to enforce any of the provisions of this Agreement, assert the claim or defense that an adequate remedy at law exists. In the event of such breach by Employee, the Company shall have the right to enforce the provisions of Sections 7, 8 and 9 of this Agreement by seeking injunctive or other relief in any court, and this Agreement shall not in any way limit remedies of law or in equity otherwise available to the Company. If an action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to recover, in addition to any other relief, reasonable attorneys' fees, costs and disbursements. In the event that the provisions of Sections 7, 8 or 9 hereof should ever be adjudicated to exceed the time, geographic, or other limitations permitted by applicable law in any applicable jurisdiction, then such provisions shall be deemed reformed in such jurisdiction to the maximum time, geographic, or other limitations permitted by applicable law.

B) In the event that Employee shall be in breach of any of the restrictions contained in Section 9 hereof, then the Restricted Period shall be extended for a period of time equal to the period of time that Employee is in breach of such restriction.

24. Consent to Suit. Any legal proceeding arising out of or relating to this Agreement shall be instituted in the District Court of the Eastern District of Pennsylvania, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in the Commonwealth of Pennsylvania, and the Employee hereby consents to the personal and exclusive jurisdiction of such court and hereby waives any objection that the Employee may have to the laying of venue of any such proceeding and any claim or defense of inconvenient forum.

25. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed the day and year first written above.

ATTEST:

INTERDIGITAL COMMUNICATIONS CORPORATION

By: /s/ Jane Schultz

By: /s/ Harry G. Campagna

Title: Assistant Secretary

Title: Chairman

/s/ Mark Gercenstein

MARK GERCENSTEIN

SEPARATION AND CONFIDENTIALITY AGREEMENT

THIS SEPARATION AND CONFIDENTIALITY AGREEMENT is made effective as of the 30th day of June, 2000 by and between JOSEPH H. GIFFORD, an individual ("Executive"), and INTERDIGITAL COMMUNICATIONS CORPORATION, a business corporation existing under the laws of the Commonwealth of Pennsylvania, together with each and every one of its predecessors, successors (by merger or otherwise), parents, subsidiaries, successors, assigns, directors, officers and employees (hereinafter collectively referred to as the "Company").

WITNESSETH:

WHEREAS, Executive has been employed by the Company in the capacity of Executive Vice President, Business Development; and

WHEREAS, during his tenure as an Executive Vice President of the Company, entered into an Employment Agreement in the month of June, 1997 as amended on April 6, 2000, (the "Employment Agreement") which provided for certain obligations and benefits upon the termination of Executive's employment; and

WHEREAS, the Company and the Executive have mutually determined that the Executive's employment as officer and employee of the Company be terminated (without cause, as defined in Executive's Employment Agreement); and

WHEREAS, Executive and the Company also desire to settle fully and finally all differences between them, including, but in no way limited to, any differences arising out of any aspect of Executive's employment with the Company and/or out of his separation from that employment.

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth, Executive and the Company acting of their own free will and intending to be legally and irrevocably bound hereby, agree as follows:

1. **Prior Agreements.** All agreements and understandings between Executive and the Company, whether oral or written, which were in effect at any time prior to the execution and delivery of this Agreement excluding (i) any agreement or obligation of the Company to indemnify Executive as an officer or director of the Company, (ii) the obligation of Company to reimburse Executive for reasonable Company business expenses incurred prior to May 10, 2000, (iii) any agreement under which Executive holds options or restricted stock, and (iv) Sections 5, 6, 7c, and 7d of the Employment Agreement (all such agreements and understandings other than those described in clause (i), (ii), (iii) and (iv) of this Section 1 being herein referred to as "Prior Agreements") are hereby terminated and of no further force and effect. Neither Executive nor the Company shall have any further rights or obligations under any such Prior Agreements.

2. **Employment Termination.** Executive acknowledges and agrees that, effective as of June 30, 2000, he shall not render any further services to the Company in the capacity of employee or officer of the Company, and that, as of this date, has effectively resigned from any and all positions that he heretofore held with the Company, its subsidiaries and affiliates. Executive represents and warrants

that, as of May 10, 2000, Executive has ceased to represent, to incur any expenses or liabilities or to take any other action on behalf of the Company. In addition, Executive acknowledges and agrees that the Company shall not have any obligation, contractual or otherwise, to rehire, reemploy or recall him in the future and/or to pay or to make available to him any additional compensation or benefits after that date except as required by law or as specifically provided herein.

3. Employment Agreement. Company waives its rights under Sections 7a and 7b of the Employment Agreement. Executive and Company waive any prior notice requirements applicable to Executive's termination of employment. Executive reaffirms his obligations under Sections 5 and 6 of the Employment Agreement.

4. Consideration. In consideration for the general release described in Section 8 hereunder and for all other agreements by Executive contained in this Agreement, the Company shall provide Executive with the following benefits and compensation provided Executive does not revoke this Agreement pursuant to Section 8 herein:

(a) Salary Continuation. Company shall pay to Executive all accrued but unpaid (as of June 30, 2000) base salary and vacation. In addition, Company shall pay to Executive severance in an amount equal to the Executive's current base salary (i.e., \$180,200 per annum) for the period of twelve (12) months commencing June 30, 2000. Such severance shall be inclusive of all applicable income, social security and other taxes and charges which are required by law to be withheld by the Company and shall be withheld and paid in accordance with the Company's normal payroll practice.

(b) Executive Bonuses. Company shall pay Executive on the earlier of March 31, 2001 or the date the Company pays bonuses to executives and employees for 2000, a pro-rata bonus applicable to January 1, 2000 to May 10, 2000 and subject to the Company's achievement of its 2000 corporate objectives as approved by the Company's Compensation Committee. Executive waives all claims to a pro-rata bonus for the period of May 11, 2000 to June 30, 2000. Such bonus shall be determined in accordance with the 1999 Employee Bonus Plan, and shall be payable 100% in cash (and not in a mixture of cash and restricted stock). In determining such bonus, Executive shall be deemed to have fully achieved all individual target goals and shall be deemed to have a base salary of \$180,200. With regard to the Executive, any bonus awarded shall be paid in cash, notwithstanding the option of the Company under the Plan to pay a portion of such bonus in non-cash consideration.

(c) Medical Benefit Continuation.

(i) It is the intention of the parties hereto that Executive's status as an active participant under the Company's basic group medical and dental insurance will continue insofar as permitted by the contracts with the Company's group insurance providers and by applicable law through June 30, 2001. Any required employee contribution to the medical or dental plan premium will be deducted from Executive's salary continuation payments.

(ii) In the event that the Company determines that the continued inclusion of Executive as an active participant in its basic group insurance plans is not permitted by its providers, the Company shall so advise Executive by written notice. Furthermore, in such event, as part of the severance package made available to Executive hereunder, the Company agrees to bear the cost of continuing Executive's group medical benefits under COBRA (except for amounts which would be contributory by Executive if he were still employed by the Company) through June 30, 2001 provided that Executive elects COBRA coverage and that he satisfies the statutory eligibility criteria.

(iii) the Company's obligation to continue medical and dental coverage will cease if Executive is eligible to participate in a comparable medical plan with a new employer. In this case, Executive agrees immediately to notify the Company by written notice to Gary Isaacs, Vice President of Human Resources of the Company.

(d) Stock Options. As of the date hereof, Executive holds outstanding options to purchase 165,000 shares of common stock of the Company as follows: 80,000 shares granted under the Stock Option N95D Plan at \$5.6875 per share; 75,000 shares granted under the N82B Stock Option Plan at \$5.4375 per share; and 10,000 shares of granted under the N95D Stock Option Plan at \$25.25 per share. The rights of the Executive to exercise such options, including the timeframe in which such options must be exercised to avoid cancellation, shall be as set forth in the applicable agreements and plans covering such options. In addition, the Executive was previously granted 14,841 shares of restricted stock, pursuant to the 1999 Restricted Stock Plan. Pursuant to such plan, 14,167 shares are hereby forfeited as a result of executive's termination hereunder. The remaining shares shall vest in accordance with the 1999 Restricted Stock Plan and applicable Award agreement.

(e) Voice Mail and Email. Howard E. Goldberg, Interim President, and William Merritt, General Counsel to the Company, will screen Executive's email and forward to him any personal messages through August 31, 2000. In addition, the Company will maintain an active voice mail for Executive through the August 31, 2000.

(f) Computer Equipment. Executive will be permitted to retain the desktop computer equipment at Executive's residence provided to him by the Company. The Company shall also forgive the outstanding debt (\$1,800) owed to the Company for upgrades made to this equipment. In addition, Executive will be permitted to retain the company laptop computer used in carrying out the duties of Executive's position, subject to the Company's review and removal of documents stored therein. Executive shall promptly make such computer available to the Company for such review.

(g) Outplacement. Executive elects to forego the use of outplacement services.

(h) Miscellaneous Benefits. (I) Executive's (but not Company's) contributions to the 401(k) Savings Plan will continue to the extent allowable by the Company under the law and the terms of the Plan. Otherwise, Executive's payroll deductions will cease effective June 30, 2000.

(ii) If executive is a participant in the Flexible Reimbursement Account, he has the option to continue participation in the Plan through deductions from salary continuation or cancel his deductions effective June 30, 2000. If Executive wishes to cancel this deduction, he should complete a Flexible Reimbursement Account change form and return it to Mr. Isaacs to effect this change.

(iii) Executive's life and disability insurance shall terminate on June 30, 2000. Executive should contact Mr. Isaacs for information about converting his life insurance policy to an individual policy if desired.

5. Confidentiality.

(a) Executive agrees that he will not disclose or use for his direct or indirect benefit or the direct or indirect benefit of any third party, any Confidential Information (as hereinafter defined) of the Company. In general, "Confidential Information" means any and all confidential or confidential and proprietary information of the Company, whether any information relating to computer

codes or instructions (including source and object code listings, logic algorithms, subroutines, modules or other subparts of computer programs and related documentation, including program notation); computer processing systems and techniques; layouts; flowcharts; specifications; know-how; any associated user or other manuals or other like textual materials (including any other data and materials used in performing Executive's duties); all computer inputs and outputs (regardless of the media on which stored or located); hardware and software configurations; designs; interfaces; research; processes; inventions; products; methods; marketing sales and distribution data, methods, plans and efforts; the Company's relationship with actual and prospective customers, contractors and suppliers; sales, business, alliance and strategic plans; alliance agreements; license agreements; budgets; any other materials prepared by Executive or other employees in the course of, relating to or arising out of their employment, or prepared by any other contractor for the Company or its customers. For purposes hereof, the term "Confidential Information" shall not include materials or information that (i) were possessed by Executive before his employment by the Company, (ii) have been disclosed or made available to the general public by the Company or by a third party who is not bound by a confidentiality agreement with the Company and who is not otherwise prohibited from disclosing the materials or information to the general public, or (iii) are generally available or known within the Company's industry.

(b) Executive agrees that he will, effective the date of his employment termination: (i) discontinue all use of Confidential Information; (ii) return to the Company all material furnished by the Company that contains Confidential Information; (iii) erase or destroy any Confidential Information contained in computer memory or data storage apparatus under the ownership or control of Executive; and (iv) remove Confidential Information from any software under the ownership or control of Executive that incorporates or uses Confidential Information in whole or in part.

(c) Executive agrees to return to the Company on the effective date of his employment termination, any documents, records, notebooks, files, correspondence, reports, memorandum, personal property owned by the Company, or any other documents and material containing Confidential Information. Executive represents that he has returned all door and file keys, card key passes, computer access cards, software, credit cards and other physical property of any kind owned by the Company that Executive received in connection with his employment, except as otherwise provided by 4(e) and 4(g) herein. Executive further agrees that he will not make, retain, remove or distribute any copies of any of the foregoing.

6. Confidentiality of Terms. Executive agrees that the terms of this Agreement shall remain completely confidential, and he will not hereafter disclose any information concerning this Agreement to anyone except: (a) his spouse and family; (b) his personal attorneys, if any; (c) his personal financial and/or tax advisors; (d) taxing authorities; (e) as may be appropriate to prosecute or defend legal proceedings to enforce this Agreement; and (f) as otherwise may be required by law or court order. Executive further understands that such information may be disclosed to the aforementioned individuals only on the condition that such individuals in turn agree to keep such information completely confidential, and not disclose it to others, except as may otherwise be required by law or court order. After his resignation and in response to any inquiries by employees of the Company or third parties concerning any of the terms of this Agreement, Executive agrees (i) to state only that he resigned his employment or to state information publicly disclosed by the Company, whether in press releases, public filings or otherwise, or (ii) if information publicly disclosed by the Company, whether in press releases, public filings or otherwise, concerning this Agreement is inaccurate in any material respect, Executive may respond to the inquiry with accurate corrective information so long as Executive has previously notified the Company of the material inaccuracy and requested the Company to issue a corrective disclosure and the Company has failed to issue such a corrective disclosure within five days of Executive's notification and request. Nothing herein shall prohibit Executive from disclosing to third parties the provisions of

Sections 5 and 6 of this Agreement, and the existence of the Consulting Agreement being entered into between the Company and Executive.

7. Nondisparagement. Neither Executive nor the Company will make to any person outside the employment of that party any tortiously defamatory or disparaging statement with regard to the other party or the other party's business.

8. Waiver and Release of Claims. (a) In consideration of the foregoing, except as set forth in Section 8(c) hereof, Executive completely releases, relinquishes, waives and discharges the Company, its officers, directors, employees, agents, successors and assigns from all claims, liabilities, demands and causes of action, known or unknown, filed or contingent, which he may have or claim to have against the Company as of the date of the signing of this Agreement arising out of or in any way related to his employment with the Company or the termination of that employment. Executive agrees that he has executed this Agreement and this release on his own behalf, and also on behalf of his heirs, agents, representatives, successors and assigns. This release includes, but is not limited to, a release of any rights or claims he may have under:

(i) the Age Discrimination in Employment Act, which prohibits age discrimination in employment;

(ii) Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991, which prohibits discrimination in employment based on race, color, national origin, religion or sex;

(iii) the Americans with Disabilities Act which prohibits discrimination on the basis of a covered disability;

(iv) the Employer Retirement and Income Security Act, which prohibits discrimination on the basis of entitlement to certain benefits;

(v) any other federal, state or local laws or regulations prohibiting employment discrimination;

(vi) breach of any express or implied contract claims;

(vii) wrongful termination or any other tort claims, including claims for attorney's fees, whether based on common law, or otherwise.

(viii) all claims to acquire any other rights or entitlements of stock, warrants, options, or other securities of the Company or any related entity, other than pursuant to the exercise of stock options currently held by Executive or acquired or to be acquired by Executive otherwise than from the Company, subject to the limitations set out in Paragraph 4(d) of this Agreement.

(b) In executing this Agreement and the general release contained in this Section 8 above, Executive acknowledges the following:

- (i) Executive has read all of the terms of this Agreement, and has had an opportunity to discuss it with individuals of his own choice who are not associated with the Company. Executive has been advised by the Company to consult with an attorney of his own choosing.
- (ii) Executive has been given the opportunity to take a period of at least twenty-one (21) days within which to consider this Agreement. If Executive chooses to sign this Agreement before that date, he has done so knowingly and voluntarily.
- (iii) Executive understands that he has the right to change his mind and cancel this Agreement within seven (7) days following the date that he signed it. This Agreement will not be effective until the end of this period, without revocation.
- (iv) Executive understands the terms of this Agreement, including the fact that he has permanently and irrevocably severed his employment relationship with the Company and that this Agreement releases forever the Company from any legal action rising from his employment relationship and the termination of his employment relationship with the Company. Executive signs this Agreement of his own free will in exchange for the consideration to be given to him, as listed above, which he acknowledges as adequate and satisfactory. Neither the Company, nor its agents, representatives or employees, have made any representations to Executive concerning the terms of effects for this Agreement, other than those contained in this Agreement. Executive also acknowledges that the parties have complied with the requirements of the Older Workers Benefit Protection Act of 1990.
- (v) Executive understands, however, that by signing this release, he does not waive rights to: (i) claims arising under any applicable worker's compensation laws; (ii) any claims which the law states may not be waived; and (iii) his vested rights under the regular employment benefit plans of the Company, in effect as of the date this Agreement; (iv) his vested rights under the Company's stock option plans and agreements; and (v) his rights to obtain indemnification under the Company's Articles of Incorporation, By-laws, and applicable Pennsylvania law.
- (b) In consideration of the foregoing, except as set forth in Section 8(c) hereof, the Company in turn completely releases, relinquishes, waives and discharges Executive and Executive's agents, representatives and heirs from all claims, liabilities, demands and causes of action, known or unknown, filed or contingent, which it may have or claim to have against Executive as of the date of the signing of this Agreement arising out of or in any way related to Executive's employment or directorship with the Company or the termination of that employment or directorship. The Company agrees that it has executed this Agreement and this release on its own behalf, and on behalf of its subsidiaries, successors and assigns.

(c) Executive and the Company specifically acknowledge and hereby agree that the provisions of this general release extend to all of the aforementioned actions, whether presently matured or not matured, known or unknown, suspected or unsuspected by Executive and by the Company, and further agree that this constitutes an essential, material term of this Agreement. Notwithstanding the foregoing, Executive and the Company expressly agree that the releases set forth in this Section 8 shall not apply to any and all suits, causes of action, claims, demands, charges, complaints, obligations or any actions of any sort whatsoever, whether in law or equity, directly or indirectly, relating to or in any way arising out of any aspect of this Agreement and any other agreements and instruments related to the transactions contemplated herein.

9. No Admission. This Agreement shall not in any way be construed as an admission by either Executive or the Company that either has acted wrongfully with respect to the other party or that any action taken by Executive or the Company with respect to the other at any time prior to the execution of this Agreement has been unwarranted, unjustified, discriminatory, or otherwise unlawful. Rather, it is understood and agreed that this Agreement constitutes a good faith settlement of any and all claims between the parties, and, except as set forth in Section 8(c) hereof, Executive and the Company hereby specifically disclaim any liability to or wrongful acts against the other party on the part of itself, its directors, officers, employees, agents and/or other representatives including legal counsel of any kind.

10. Indemnification. To the extent permitted by law, the Company agrees to defend, indemnify and hold Executive harmless against any threatened or pending actions or proceedings, whether brought by a third party or as a derivative action, by reason of the fact that Executive was an officer or representative of the Company acting within the scope of his employment.

11. Cooperation. (a) Executive agrees to cooperate and provide assistance to Company as reasonably necessary in connection with his resignation and the change-over resulting therefrom.

(b) Executive understands that he will not in the future voluntarily assist any individual or entity in preparing, commencing or prosecuting any action or proceeding against the Company, its directors, officers, employees, or affiliates, including but not limited to, any administrative agency claims, charges or complaints and/or lawsuits against the Company, its directors, officers, employees or affiliates, or to voluntarily participate or cooperate in any such action or proceeding, except as such waiver is specifically prohibited by statute. Executive also agrees that he will cooperate with and assist (including by testifying if requested by the Company) the Company in its defense of any such action or proceeding, as well as any other actions or proceedings currently pending or threatened against the Company or hereafter initiated against the Company. This Agreement shall not preclude Executive from testifying in such an action or proceeding if he is compelled to do so pursuant to a subpoena or other court order. However, Executive expressly agrees that he will provide written notice addressed to the attention of William Merritt, Executive Vice President, General Counsel & Secretary, InterDigital Communications Corporation, 781 Third Avenue, King of Prussia, Pennsylvania 19406-1409 (Fax No. 610-878-7844) if he should receive, by service or otherwise, a notice, subpoena or other court order or any other written request seeking or requiring him to testify or otherwise participate in or assist in any action or proceeding against the Company, such notice to be so provided within twenty-four (24) hours of Executive becoming personally aware of the delivery to Executive or anyone acting on his behalf of such notice, subpoena, order or request.

12. Entire Agreement. This Agreement and that certain Consulting Agreement executed between the parties contemporaneously herewith constitute the entire understanding between

Executive and the Company and supersede all other agreements, whether written or oral, with respect to the transactions contemplated herein. This Agreement may not be amended or modified by either party unless such amendment or modification is memorialized in a writing signed by each of the parties hereto.

13. Waiver. Any waiver by either party of any breach of any term or condition of this Agreement shall not operate as a waiver of any other breach of such term or condition or of any other term or condition, nor shall any failure to enforce any provision hereof operate as a waiver of such provision or of any other provision hereof or constitute or be deemed a waiver or release of any other rights, in law or in equity.

14. Governing Law. All issues concerning this Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to any choice of law or conflict of law provision or rule (whether of the Commonwealth of Pennsylvania or any other jurisdiction) that would cause the application of the law of any jurisdiction other than the Commonwealth of Pennsylvania. The parties hereto agree that any action to enforce this Agreement may be properly brought in any court within the Commonwealth of Pennsylvania or in the United States District Court for the Eastern District of Pennsylvania, and the parties hereto agree that the courts of the Commonwealth of Pennsylvania and the United States District Court for the Eastern District of Pennsylvania shall have jurisdiction with respect to the subject matter hereof and the person of the parties hereto.

15. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or the effectiveness or validity of any provision in any other jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

16. Further Assurances. From time to time after the execution of this Agreement, each of the parties hereto hereby agrees to use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper and advisable under applicable laws, rules and regulations to consummate and make effective the transactions contemplated by this Agreement, including using its best efforts to obtain all necessary waivers, consents and approvals. In case at any time after the execution of this Agreement further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers and directors of each of the parties shall take all such necessary action.

17. Assignment. This Agreement may not be assigned by Consultant or the Company without the express written consent of the other; except, that this Agreement may be assigned by the Company to the purchaser of substantially all of the Company's assets or by operation of law (including, without limitation, pursuant to a merger or consolidation of the Company) without consent.

18. Enforcement. All remedies at law and equity shall be available for the enforcement of this Agreement incorporated by reference herein. This Agreement may be pleaded as a full bar to the enforcement of any claim in any way related to or arising out of Executive's employment with the Company and/or the termination of his employment.

19. Opportunity to Review and Right to Revoke. Executive hereby acknowledges that he is acting of his own free will, that he has been afforded a reasonable time to read and review the terms of this Agreement, that he has had an opportunity to seek the advice of counsel and that he is voluntarily entering into this Agreement with full knowledge of its respective provisions and effects.

20. Contractual Effect. The parties understand and acknowledge that the terms of this Agreement are contractual and not a mere recital. Consequently, they expressly consent that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, and that it shall be binding upon the respective parties as well as their heirs, executors, successors, administrators and assigns.

21. Tax Withholding. Executive and the Company acknowledge and agree that the Company will withhold all applicable withholding taxes as required in accordance with applicable law in respect of amounts being paid or otherwise provided by the Company to Executive hereunder.

22. Return of Executed Agreement. Executive agrees that this Agreement shall only become effective if Executive executes and delivers this Agreement to the Company attn. Gary Isaacs, Vice President, Human Resources on or after June 30, 2000 and prior to July 7, 2000. The effective date of this Agreement shall then be determined in accordance with Section 8(b)(iii).

IN WITNESS WHEREOF, Executive and the Company each acknowledge that they are acting of their own free will, that they have had a sufficient opportunity to read and review the terms of this Agreement, they have each received the advice of their respective counsel with respect hereto, and that they have voluntarily caused the execution of this Agreement and by reference herein as of the day and year set forth below.

/s/ Joseph H. Gifford

Witness: /s/ EMG

JOSEPH H. GIFFORD

Date: 6/30/00

INTERDIGITAL COMMUNICATIONS CORPORATION:

By: /s/ Mark Gercenstein

Attest: /s/ Jane Schultz

Title: CEO

Date: 5/31/00

INTERDIGITAL COMMUNICATIONS CORPORATION

2000 Stock Award and Incentive Plan

2000 Stock Award and Incentive Plan

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INTERDIGITAL COMMUNICATIONS CORPORATION

2000 Stock Award and Incentive Plan

1. Purpose. The purpose of this 2000 Stock Award and Incentive Plan (the "Plan") is to aid InterDigital Communications Corporation, a Pennsylvania corporation (the "Company"), in attracting, retaining, motivating and rewarding employees, non-employee directors, and other persons who provide substantial services to the Company or its subsidiaries or affiliates, to provide for equitable and competitive compensation opportunities, to encourage long-term service, to recognize individual contributions and reward achievement of Company goals, and promote the creation of long-term value for shareholders by closely aligning the interests of Participants with those of shareholders. The Plan authorizes stock-based and cash-based incentives for Participants.

2. Definitions. In addition to the terms defined in Section 1 above and elsewhere in the Plan, the following capitalized terms used in the Plan have the respective meanings set forth in this Section:

(a) "Award" means any Option, SAR, Restricted Stock, Deferred Stock, Stock granted as a bonus or in lieu of another award, Dividend Equivalent, Other Stock-Based Award, or Performance Award, together with any related right or interest, granted to a Participant under the Plan.

(b) "Beneficiary" means the legal representatives of the Participant's estate entitled by will or the laws of descent and distribution to receive the benefits under a Participant's Award upon a Participant's death, provided that, if and to the extent authorized by the Committee, a Participant may be permitted to designate a Beneficiary, in which case the "Beneficiary" instead shall be the person(s) (if any are then surviving), trust(s) or entity(ies) which have been designated by the Participant in his or her most recent written beneficiary designation filed with the Committee to receive the benefits specified under the Participant's Award upon such Participant's death.

(c) "Board" means the Company's Board of Directors.

(d) "Change in Control" and related terms have the meanings specified in Section 9.

(e) "Code" means the Internal Revenue Code of 1986, as amended.

(f) "Committee" means a committee of two or more directors designated by the Board to administer the Plan; provided, however, that, directors appointed or serving as members of a Board committee designated as the Committee shall not be employees of the Company or any subsidiary or affiliate. In appointing members of the Committee, the Board will consider whether a member is or will be a Qualified Member, but such members are not required to be Qualified Members at the time of appointment or during their term of service on the Committee. The full Board may perform any function of the Committee hereunder, in which case the term "Committee" shall refer to the Board. Initially, the Compensation and Stock Option Committee of the Board of Directors will be designated as the "Committee" under the Plan.

(g) "Covered Employee" means an Eligible Person who is a Covered Employee as specified in Section 11(j).

(h) "Deferred Stock" means a right, granted to a Participant under Section 6(e), to receive Stock or other Awards or a combination thereof at the end of a specified deferral period.

- (i) "Dividend Equivalent" means a right, granted to a Participant under Section 6(g), to receive cash, Stock, other Awards or other property equal in value to all or a specified portion of the dividends paid with respect to a specified number of shares of Stock.
- (j) "Effective Date" means the effective date specified in Section 11(r).
- (k) "Eligible Person" has the meaning specified in Section 5.
- (l) "Exchange Act" means the Securities Exchange Act of 1934, as amended.
- (m) "Fair Market Value" means the fair market value of Stock, Awards or other property as determined by the Committee or under procedures established by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of Stock shall be the closing sale price reported on the composite tape of the principal stock exchange on which the Stock is listed on the day as of which such value is being determined or, if there is no sale on that day, then on the last previous day on which a sale was reported.
- (n) "Incentive Stock Option" or "ISO" means any Option designated as an incentive stock option within the meaning of Code Section 422 and qualifying thereunder.
- (o) "Non-qualified Stock Option" means any Option designated as a non-qualified stock option and not an Incentive Stock Option within the meaning of Code Section 422.
- (p) "Option" means a right, granted to a Participant under Section 6(b), to purchase Stock or other Awards at a specified price during specified time periods.
- (q) "Other Stock-Based Awards" means Awards granted to a Participant under Section 6(h).
- (r) "Participant" means a person who has been granted an Award under the Plan which remains outstanding, including a person who is no longer an Eligible Person.
- (s) "Performance Award" means a conditional right, granted to a Participant under Sections 6(i) and 7, to receive cash, Stock or other Awards or payments, as determined by the Committee, based upon performance criteria specified by the Committee.
- (t) "Preexisting Plans" mean the Company's Non-Qualified Stock Option Plan, 1992 Non-Qualified Stock Option Plan, 1992 Employee Stock Option Plan, 1995 Employee Stock Option Plan, 1997 Stock Option Plan for Non-Employee Directors, and any other Company stock option plan under which options are outstanding at the Effective Date.
- (u) "Qualified Member" means a member of the Committee who is a "Non-Employee Director" within the meaning of Rule 16b-3(b)(3) and an "outside director" within the meaning of Regulation 1.162-27 under Code Section 162(m).
- (v) "Restricted Stock" means Stock granted to a Participant under Section 6(d) which is subject to certain restrictions and to a risk of forfeiture.
- (w) "Rule 16b-3" means Rule 16b-3, as from time to time in effect and applicable to Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.
- (x) "Stock" means the Company's Common Stock, and any other equity securities of the Company that may be substituted or resubstituted for Stock pursuant to Section 11(c).

(y) "Stock Appreciation Rights" or "SAR" means a right granted to a Participant under Section 6(c).

3. Administration.

(a) Authority of the Committee. The Plan shall be administered by the Committee, which shall have full and final authority, in each case subject to and consistent with the provisions of the Plan, to select Eligible Persons to become Participants; to grant Awards; to determine the type and number of Awards, the dates on which Awards may be exercised and on which the risk of forfeiture or deferral period relating to Awards shall lapse or terminate, the acceleration of any such dates, the expiration date of any Award, whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Stock, other Awards, or other property, and other terms and conditions of, and all other matters relating to, Awards; to prescribe documents evidencing or setting terms of Awards (such Award documents need not be identical for each Participant), amendments thereto, rules and regulations for the administration of the Plan and amendments thereto, and standardized terms and conditions of awards and amendments thereto (which, if so specified by the Committee, shall be deemed to be incorporated into and a part of this Plan); to construe and interpret the Plan and Award documents and correct defects, supply omissions or reconcile inconsistencies therein; and to make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the Plan. Decisions of the Committee with respect to the administration and interpretation of the Plan shall be final, conclusive, and binding upon all persons interested in the Plan, including Participants, Beneficiaries, transferees under Section 11(b) and other persons claiming rights from or through a Participant, and shareholders. The foregoing notwithstanding, the Board shall perform the functions of the Committee for purposes of granting Awards under the Plan to non-employee directors (authority with respect to other aspects of non-employee director awards is not exclusive to the Board, however).

(b) Manner of Exercise of Committee Authority. At any time that a member of the Committee is not a Qualified Member, (i) any action of the Committee relating to an Award intended by the Committee to qualify as "performance-based compensation" within the meaning of Code Section 162(m) and regulations thereunder may be taken by a subcommittee, designated by the Committee or the Board, composed solely of two or more Qualified Members, and (ii) any action relating to an Award granted or to be granted to a Participant who is then subject to Section 16 of the Exchange Act in respect of the Company may be taken either by such a subcommittee or by the Committee but with each such member who is not a Qualified Member abstaining or recusing himself or herself from such action, provided that, upon such abstention or recusal, the Committee remains composed of two or more Qualified Members. Such action, authorized by such a subcommittee or by the Committee upon the abstention or recusal of such non-Qualified Member(s), shall be the action of the Committee for purposes of the Plan. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Company or any subsidiary or affiliate, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions, including administrative functions, as the Committee may determine, to the extent that such delegation will not result in the loss of an exemption under Rule 16b-3(d) for Awards granted to Participants subject to Section 16 of the Exchange Act in respect of the Company and will not cause Awards intended to qualify as "performance-based compensation" under Code Section 162(m) to fail to so qualify.

(c) Limitation of Liability. The Committee and each member thereof, and any person acting pursuant to authority delegated by the Committee, shall be entitled, in good faith, to rely or act upon any report or other information furnished by any executive officer, other officer or employee of the Company or a subsidiary or affiliate, the Company's independent auditors, consultants or any other agents assisting in the administration of the Plan. Members of the Committee, any person acting pursuant to authority delegated by the Committee, and any officer or employee of the Company or a subsidiary or affiliate acting at the direction or on behalf of the Committee or a delegee shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan,

and shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.

4. Stock Subject to Plan.

(a) Overall Number of Shares Available for Delivery. Subject to adjustment as provided in Section 11(c), the total number of shares of Stock reserved and available for delivery in connection with Awards under the Plan shall be (i) 2.2 million plus (ii) the number of shares that, immediately prior to the Effective Date, remain available for issuance under the Preexisting Plans plus and (iii) the number of shares subject to awards under the Preexisting Plans which become available in accordance with Section 4(b) after the Effective Date; provided, however, that shares carried forward from a Preexisting Plan pursuant to clause (ii) shall be available for initial grant only before the time such Preexisting Plan would have expired in accordance with its terms; and provided further, that the total number of shares which may be issued and delivered in connection with Awards other than Options and SARs shall not exceed 40% of the total number of shares reserved under the Plan. Any shares of Stock delivered under the Plan shall consist of authorized and unissued shares or treasury shares.

(b) Share Counting Rules. The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with an Award. Shares subject to an Award or an award under a Preexisting Plan that is canceled, expired, forfeited, settled in cash or otherwise terminated without a delivery of shares to the Participant will again be available for Awards, and shares withheld in payment of the exercise price or taxes relating to an Award or Preexisting Plan award and shares equal to the number surrendered in payment of any exercise price or taxes relating to an Award or Preexisting Plan award shall be deemed to constitute shares not delivered to the Participant and shall be deemed again to be available for Awards under the Plan. In addition, in the case of any Award granted in substitution for an award of a company or business acquired by the Company or a subsidiary or affiliate, shares issued or issuable in connection with such substitute Award shall not be counted against the number of shares reserved under the Plan, but shall be available under the Plan by virtue of the Company's assumption of the plan or arrangement of the acquired company or business. This Section 4 (b) shall apply to the number of shares reserved and available for ISOs only to the extent consistent with applicable regulations relating to ISOs under the Code. The order in which Shares will be deemed to be made subject to Awards under the Plan shall first be Shares resulting from Preexisting Plans (in the order of the expiration date of such Preexisting Plans) and then the Shares reserved under clause (i) of Section 4(a).

5. Eligibility; Per-Person Award Limitations. Awards may be granted under the Plan only to Eligible Persons. For purposes of the Plan, an "Eligible Person" means an employee of the Company or any subsidiary or affiliate, including any executive officer, a non-employee director of the Company, a consultant or other person who provides substantial services to the Company or a subsidiary or affiliate, and any person who has been offered employment by the Company or a subsidiary or affiliate, provided that such prospective employee may not receive any payment or exercise any right relating to an Award until such person has commenced employment with the Company or a subsidiary or affiliate. An employee on leave of absence may be considered as still in the employ of the Company or a subsidiary or affiliate for purposes of eligibility for participation in the Plan, if so determined by the Committee. A joint venture in which the Company or a subsidiary has a substantial direct or indirect equity investment may be deemed an affiliate, if so determined by the Committee, but such determination shall be solely for purposes of this Plan. In each calendar year during any part of which the Plan is in effect, an Eligible Person may be granted Awards intended to qualify as "performance-based compensation" under Code Section 162(m) under each of Section 6(b), 6(c), 6(d), 6(e), 6(f), 6(g) or 6(h) relating to up to his or her Annual Limit (such Annual Limit to apply separately to the type of Award authorized under each specified subsection, except that the limitation applies to Dividend Equivalents under Section 6(g) only if such Dividend Equivalents are granted separately from and not as a feature of another Award). A Participant's Annual Limit, in any year during any part of which the Participant is then eligible under the Plan, shall equal 300,000 shares plus the amount of the Participant's unused Annual Limit relating to the same type of Award as of the close of the previous year, subject to adjustment as provided in Section 11(c). In the case of an Award which is not valued in a way in which the limitation set forth in the preceding sentence would operate as an effective limitation satisfying

Treasury Regulation 1.162-27(e)(4) (including a Performance Award under Section 7 not related to an Award specified in Section 6), an Eligible Person may not be granted Awards authorizing the earning during any calendar year of an amount that exceeds the Participant's Annual Limit, which for this purpose shall equal \$1.5 million plus the amount of the Participant's unused cash Annual Limit as of the close of the previous year (this limitation is separate and not affected by the number of Awards granted during such calendar year subject to the limitation in the preceding sentence). For this purpose, (i) "earning" means satisfying performance conditions so that an amount becomes payable, without regard to whether it is to be paid currently or on a deferred basis or continues to be subject to any service requirement or other non-performance condition, and (ii) a Participant's Annual Limit is used to the extent an amount or number of shares may be potentially earned or paid under an Award, regardless of whether such amount or shares are in fact earned or paid.

6. Specific Terms of Awards.

(a) General. Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Section 11(e)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of employment or service by the Participant and terms permitting a Participant to make elections relating to his or her Award. The Committee shall retain full power and discretion with respect to any term or condition of an Award that is not mandatory under the Plan. The Committee may require payment of consideration for an Award, except as otherwise limited by the Plan.

(b) Options. The Committee is authorized to grant Options to Participants on the following terms and conditions:

(i) Exercise Price. The exercise price per share of Stock purchasable under an Option (including both ISOs and Non-qualified Stock Options) shall be determined by the Committee, but such exercise price shall be not less than the Fair Market Value of a share of Stock on the date of grant of such Option, subject to Sections 6(f) and 8(a), unless the Committee finds there to exist extraordinary circumstances such that the grant of a Non-Qualified Stock Option with an exercise price less than such Fair Market Value is appropriate.

(ii) Option Term; Time and Method of Exercise. The Committee shall determine the term of each Option, provided that in no event shall the term of any ISO or SAR in tandem therewith exceed a period of ten years from the date of grant. The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the methods by which such exercise price may be paid or deemed to be paid and the form of such payment (subject to Section 11(k)), including, without limitation, cash, Stock, other Awards or awards granted under other plans of the Company or any subsidiary or affiliate, or other property (including notes and other contractual obligations of Participants to make payment on a deferred basis, such as through "cashless exercise" arrangements, to the extent permitted by applicable law), and the methods by or forms in which Stock will be delivered or deemed to be delivered in satisfaction of Options to Participants (including deferred delivery of shares representing the Option "profit," at the election of the Participant or as mandated by the Committee, with such deferred shares subject to any vesting, forfeiture or other terms as the Committee may specify).

(iii) ISOs. The terms of any ISO granted under the Plan shall comply in all respects with the provisions of Code Section 422, including but not limited to the requirement that no ISO shall be granted more than ten years after the Effective Date.

(c) Stock Appreciation Rights. The Committee is authorized to grant SAR's to Participants on the following terms and conditions:

(i) Right to Payment. An SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise (or, in the case of a "Limited SAR," the Fair Market Value determined by reference

to the Change in Control Price, as defined under Section 9(d) hereof) over (B) the grant price of the SAR as determined by the Committee.

(ii) Other Terms. The Committee shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which a SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Stock will be delivered or deemed to be delivered to Participants, and whether or not a SAR shall be free-standing or in tandem or combination with any other Award. Limited SARs that may only be exercised in connection with a Change in Control or other event as specified by the Committee may be granted on such terms, not inconsistent with this Section 6(c), as the Committee may determine.

(d) Restricted Stock. The Committee is authorized to grant Restricted Stock to Participants on the following terms and conditions:

(i) Grant and Restrictions. Restricted Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise and under such other circumstances as the Committee may determine at the date of grant or thereafter. Except to the extent restricted under the terms of the Plan and any Award document relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a shareholder, including the right to vote the Restricted Stock and the right to receive dividends thereon (subject to any mandatory reinvestment or other requirement imposed by the Committee).

(ii) Forfeiture. Except as otherwise determined by the Committee, upon termination of employment or service during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited and reacquired by the Company; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will lapse in whole or in part, including in the event of terminations resulting from specified causes.

(iii) Certificates for Stock. Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

(iv) Dividends and Splits. As a condition to the grant of an Award of Restricted Stock, the Committee may require that any dividends paid on a share of Restricted Stock shall be either (A) paid with respect to such Restricted Stock at the dividend payment date in cash, in kind, or in a number of shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) automatically reinvested in additional Restricted Stock or held in kind, which shall be subject to the same terms as applied to the original Restricted Stock to which it relates, or (C) deferred as to payment, either as a cash deferral or with the amount or value thereof automatically deemed reinvested in shares of Deferred Stock, other Awards or other investment vehicles, subject to such terms as the Committee shall determine or permit a Participant to elect. Unless otherwise determined by the Committee, Stock distributed in connection with a Stock split or Stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed.

(e) **Deferred Stock.** The Committee is authorized to grant Deferred Stock to Participants, which are rights to receive Stock, other Awards, or a combination thereof at the end of a specified deferral period, subject to the following terms and conditions:

(i) **Award and Restrictions.** Issuance of Stock will occur upon expiration of the deferral period specified for an Award of Deferred Stock by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Deferred Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse at the expiration of the deferral period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, and under such other circumstances as the Committee may determine at the date of grant or thereafter. Deferred Stock may be satisfied by delivery of Stock, other Awards, or a combination thereof (subject to Section 11(k)), as determined by the Committee at the date of grant or thereafter.

(ii) **Forfeiture.** Except as otherwise determined by the Committee, upon termination of employment or service during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award document evidencing the Deferred Stock), all Deferred Stock that is at that time subject to such forfeiture conditions shall be forfeited; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Deferred Stock will lapse in whole or in part, including in the event of terminations resulting from specified causes.

(iii) **Dividend Equivalents.** Unless otherwise determined by the Committee, Dividend Equivalents on the specified number of shares of Stock covered by an Award of Deferred Stock shall be either (A) paid with respect to such Deferred Stock at the dividend payment date in cash or in shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) deferred with respect to such Deferred Stock, either as a cash deferral or with the amount or value thereof automatically deemed reinvested in additional Deferred Stock, other Awards or other investment vehicles having a Fair Market Value equal to the amount of such dividends, as the Committee shall determine or permit a Participant to elect.

(f) **Bonus Stock and Awards in Lieu of Obligations.** The Committee is authorized to grant Stock as a bonus, or to grant Stock or other Awards in lieu of obligations of the Company or a subsidiary or affiliate to pay cash or deliver other property under the Plan or under other plans or compensatory arrangements, subject to such terms as shall be determined by the Committee.

(g) **Dividend Equivalents.** The Committee is authorized to grant Dividend Equivalents to a Participant, entitling the Participant to receive cash, Stock, other Awards, or other property equivalent to all or a portion of the dividends paid with respect to a specified number of shares of Stock. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock, Awards, or other investment vehicles, and subject to restrictions on transferability, risks of forfeiture and such other terms as the Committee may specify.

(h) **Other Stock-Based Awards.** The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock or factors that may influence the value of Stock, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Stock, purchase rights for Stock, Awards with value and payment contingent upon performance of the Company or business units thereof or any other factors designated by the Committee, and Awards valued by reference to the book value of Stock or the value of securities of or the performance of specified subsidiaries or affiliates or other business units. The Committee shall determine the terms and conditions of such Awards. Stock delivered pursuant to an Award in the nature of a purchase right granted under this Section 6(h) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Stock, other Awards, notes,

or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under the Plan, may also be granted pursuant to this Section 6(h).

(i) Performance Awards. Performance Awards, denominated in cash or in Stock or other Awards, may be granted by the Committee in accordance with Section 7.

7. Performance Awards

(a) Performance Awards Generally. The Committee is authorized to grant Performance Awards on the terms and conditions specified in this Section 7. Performance Awards may be denominated as a cash amount, number of shares of Stock, or specified number of other Awards (or a combination) which may be earned upon achievement or satisfaction of performance conditions specified by the Committee. In addition, the Committee may specify that any other Award shall constitute a Performance Award by conditioning the right of a Participant to exercise the Award or have it settled, and the timing thereof, upon achievement or satisfaction of such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions, except as limited under Sections 7(b) in the case of a Performance Award intended to qualify as "performance-based compensation" under Code Section 162(m).

(b) Performance Awards Granted to Covered Employees. If the Committee determines that a Performance Award to be granted to an Eligible Person who is designated by the Committee as likely to be a Covered Employee should qualify as "performance-based compensation" for purposes of Code Section 162(m), the grant, exercise and/or settlement of such Performance Award shall be contingent upon achievement of a preestablished performance goal and other terms set forth in this Section 7(b).

(i) Performance Goal Generally. The performance goal for such Performance Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this Section 7(b). The performance goal shall be objective and shall otherwise meet the requirements of Code Section 162(m) and regulations thereunder (including Regulation 1.162-27 and successor regulations thereto), including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being "substantially uncertain." The Committee may determine that such Performance Awards shall be granted, exercised and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Performance Awards. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants.

(ii) Business Criteria. One or more of the following business criteria for the Company, on a consolidated basis, and/or for specified subsidiaries or affiliates or other business units of the Company shall be used by the Committee in establishing performance goals for such Performance Awards:

(1) net sales; (2) earnings from operations, earnings before or after taxes, earnings before or after interest, depreciation, amortization, or extraordinary or special items; (3) net income or net income per common share (basic or diluted); (4) return on assets (gross or net), return on investment, return on capital, or return on equity; (5) cash flow, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital; (6) interest expense after taxes; (7) economic value created; (8) operating margin or profit margin; (9) stock price or total shareholder return; (10) average cash balance or cash position; and (11) strategic business criteria, consisting of one or more objectives based on meeting specified product development, strategic partnering, licensing, research and development, market penetration, geographic business expansion goals, cost targets, customer satisfaction, employee satisfaction, management of employment practices and employee benefits, supervision of litigation and information technology, and goals relating to acquisitions or divestitures of subsidiaries, affiliates or joint ventures. The targeted level or levels of performance with respect to such business criteria may be established at such levels and in such terms as the Committee may determine, in its discretion,

including in absolute terms, as a goal relative to performance in prior periods, or as a goal compared to the performance of one or more comparable companies or an index covering multiple companies.

(iii) Performance Period; Timing for Establishing Performance Goals; Per-Person Limit. Achievement of performance goals in respect of such Performance Awards shall be measured over a performance period of up to one year or more than one year, as specified by the Committee. A performance goal shall be established not later than the earlier of (A) 90 days after the beginning of any performance period applicable to such Performance Award or (B) the time 25% of such performance period has elapsed. In all cases, the maximum Performance Award of any Participant shall be subject to the limitation set forth in Section 5.

(iv) Performance Award Pool. The Committee may establish a Performance Award pool, which shall be an unfunded pool, for purposes of measuring performance of the Company in connection with Performance Awards. The amount of such Performance Award pool shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 7(b)(ii) during the given performance period, as specified by the Committee in accordance with Section 7(b)(iv). The Committee may specify the amount of the Performance Award pool as a percentage of any of such business criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not bear a strictly mathematical relationship to such business criteria.

(v) Settlement of Performance Awards; Other Terms. Settlement of such Performance Awards shall be in cash, Stock, other Awards or other property, in the discretion of the Committee. The Committee may not exercise discretion to increase any such amount payable to a Covered Employee in respect of a Performance Award subject to this Section 7(b). Any settlement which changes the form of payment from that originally specified shall be implemented in a manner such that the Performance Award and other related Awards do not, solely for that reason, fail to qualify as "performance-based compensation" for purposes of Code Section 162(m). The Committee shall specify the circumstances in which such Performance Awards shall be paid or forfeited in the event of termination of employment by the Participant or other event (including a Change in Control) prior to the end of a performance period or settlement of such Performance Awards.

(c) Written Determinations. Determinations by the Committee as to the establishment of performance goals, the amount potentially payable in respect of Performance Awards, the level of actual achievement of the specified performance goals relating to Performance Awards and the amount of any final Performance Award shall be recorded in writing in the case of Performance Awards intended to qualify under Section 162(m). Specifically, the Committee shall certify in writing, in a manner conforming to applicable regulations under Section 162(m), prior to settlement of each such Award granted to a Covered Employee, that the performance objective relating to the Performance Award and other material terms of the Award upon which settlement of the Award was conditioned have been satisfied.

8. Certain Provisions Applicable to Awards.

(a) Stand-Alone, Additional, Tandem, and Substitute Awards. Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any subsidiary or affiliate, or any business entity to be acquired by the Company or a subsidiary or affiliate, or any other right of a Participant to receive payment from the Company or any subsidiary or affiliate. Awards granted in addition to or in tandem with other Awards or awards may be granted either as of the same time as or a different time from the grant of such other Awards or awards. Subject to Section 11(k), the Committee may determine that, in granting a new Award, the in-the-money value of any surrendered Award or award may be applied to reduce the exercise price of any Option, grant price of any SAR, or purchase price of any other Award.

(b) Term of Awards. The term of each Award shall be for such period as may be determined by the Committee, subject to the express limitations set forth in Section 6(b)(ii).

(c) Form and Timing of Payment under Awards; Deferrals. Subject to the terms of the Plan (including Section 11(k)) and any applicable Award document, payments to be made by the Company or a subsidiary or affiliate upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Stock, other Awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. The settlement of any Award may be accelerated, and cash paid in lieu of Stock in connection with such settlement, in the discretion of the Committee or upon occurrence of one or more specified events (subject to Section 11(k)). Installment or deferred payments may be required by the Committee (subject to Section 11(e)) or permitted at the election of the Participant on terms and conditions established by the Committee. Payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents or other amounts in respect of installment or deferred payments denominated in Stock.

(d) Exemptions from Section 16(b) Liability. With respect to a Participant who is then subject to the reporting requirements of Section 16(a) of the Exchange Act in respect of the Company, the Committee shall use its best efforts to implement transactions under the Plan and administer the Plan in a manner that will ensure that each transaction with respect to such a Participant is exempt from liability under Rule 16b-3 or otherwise not subject to liability under Section 16(b)), except that this provision shall not limit sales by such a Participant, and such a Participant may engage in other non-exempt transactions under the Plan. The Committee may authorize the Company to repurchase any Award or shares of Stock deliverable or delivered in connection with any Award (subject to Section 11(k)) to enable a Participant who is subject to Section 16 of the Exchange Act to avoid incurring liability under Section 16(b). Unless otherwise specified by the Participant, equity securities or derivative securities acquired under the Plan which are disposed of by a Participant shall be deemed to be disposed of in the order acquired by the Participant.

(e) Loan Provisions. With the consent of the Committee, and subject at all times to, and only to the extent, if any, permitted under and in accordance with, laws and regulations and other binding obligations or provisions applicable to the Company, the Company may make, guarantee, or arrange for a loan or loans to a Participant with respect to the exercise of any Option or other payment in connection with any Award, including the payment by a Participant of any or all federal, state, or local income or other taxes due in connection with any Award. Subject to such limitations, the Committee shall have full authority to decide whether to make a loan or loans hereunder and to determine the amount, terms, and provisions of any such loan or loans, including the interest rate, if any, to be charged in respect of any such loan or loans, whether the loan or loans are to be with or without recourse against the borrower, the terms on which the loan is to be repaid and conditions, if any, under which the loan or loans may be forgiven.

9. Change in Control.

(a) Effect of "Change in Control" on Non-Performance Based Awards. In the event of a "Change in Control," the following provisions shall apply to non-performance based Awards, including Awards as to which performance conditions previously have been satisfied or are deemed satisfied under Section

9(b), unless otherwise provided by the Committee in the Award document:

(i) All deferral of settlement, forfeiture conditions and other restrictions applicable to Awards granted under the Plan shall lapse and such Awards shall be fully payable as of the time of the Change in Control without regard to deferral and vesting conditions, except to the extent of any waiver by the Participant or other express election to defer beyond a Change in Control and subject to applicable restrictions set forth in Section 11(a);

(ii) Any Award carrying a right to exercise that was not previously exercisable and vested shall become fully exercisable and vested as of the time of the Change in Control and shall remain exercisable and vested for the balance of the stated term of such Award without regard to any termination of employment or service by the Participant other than a termination for "cause" (as defined in any employment or severance agreement between the Company or a subsidiary or affiliate and the Participant then in effect or, if none, as defined by the Committee and in effect at the time of the Change in Control), subject only to applicable restrictions set forth in Section 11(a); and

(iii) The Committee may, in its discretion, determine to extend to any Participant who holds an Option the right to elect, during the 60-day period immediately following the Change in Control, in lieu of acquiring the shares of Stock covered by such Option, to receive in cash the excess of the Change in Control Price over the exercise price of such Option, multiplied by the number of shares of Stock covered by such Option, and to extend to any Participant who holds other types of Awards denominated in shares the right to elect, during the 60-day period immediately following the Change in Control, in lieu of receiving the shares of Stock covered by such Award, to receive in cash the Change in Control Price multiplied by the number of shares of Stock covered by such Award.

(b) Effect of "Change in Control" on Performance-Based Awards. In the event of a "Change in Control," with respect to an outstanding Award subject to achievement of performance goals and conditions, such performance goals and conditions shall be deemed to be met or exceeded if and to the extent so provided by the Committee in the Award document governing such Award or other agreement with the Participant.

(c) Definition of "Change in Control." A "Change in Control" shall be deemed to have occurred if, after the Effective Date, there shall have occurred any of the following:

(i) Any "person," as such term is used in Section 13(d) and 14(d) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any company owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company), acquires voting securities of the Company and immediately thereafter is a "50% Beneficial Owner." For purposes of this provision, a "50% Beneficial Owner" shall mean a person who is the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then-outstanding voting securities;

(ii) During any period of two consecutive years commencing on or after the Effective Date, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person (as defined above) who has entered into an agreement with the Company to effect a transaction described in subsections (i),

(iii), (iv) or (v) of this definition) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (the "Continuing Directors") cease for any reason to constitute at least a majority thereof;

(iii) The shareholders of the Company have approved a merger, consolidation, recapitalization, or reorganization of the Company, or a reverse stock split of any class of voting securities of the Company, or the consummation of any such transaction if shareholder approval is not obtained, other than any such transaction which would result in at least 50% of the combined voting power of the voting securities of the Company or the surviving entity outstanding immediately after such transaction being beneficially owned by the persons who were shareholders of the Company immediately prior to the transaction in substantially the same proportion as their ownership of the voting power immediately prior to the transaction; provided that, for purposes of this Section 9(c)(iii), such continuity of ownership (and preservation of relative voting power) shall be deemed to be satisfied if the failure to meet such 50% threshold (or to substantially preserve such relative ownership of the voting securities) is due solely to the acquisition of voting securities by an employee benefit plan of the Company, such surviving entity or a subsidiary thereof; and provided further, that, if consummation of the corporate transaction referred to in this Section 9(c)(iii) is subject, at the time of such approval by shareholders, to the consent of any government or governmental agency or approval of the shareholders of another entity or other material contingency, no Change in Control shall occur until such time as such consent and approval has been obtained and any other material contingency has been satisfied;

(iv) The shareholders of the Company accept shares in a share exchange in which the shareholders of the Company immediately before such share exchange do not or will not own directly

or indirectly immediately following such share exchange more than 50% of the combined voting power of the outstanding voting securities of the corporation resulting from or surviving such share exchange in substantially the same proportion as the ownership of the Voting Securities outstanding immediately before such share exchange;

(v) The shareholders of the Company have approved a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction having a similar effect); provided that, if consummation of the transaction referred to in this Section 9(c)(v) is subject, at the time of such approval by shareholders, to the consent of any government or governmental agency or approval of the shareholders of another entity or other material contingency, no Change in Control shall occur until such time as such consent and approval has been obtained and any other material contingency has been satisfied; and

(vi) any other event which the Board of Directors of the Company determines shall constitute a Change in Control for purposes of this Plan.

(d) Definition of "Change in Control Price." The "Change in Control Price" means an amount in cash equal to the higher of (i) the amount of cash and fair market value of property that is the highest price per share paid (including extraordinary dividends) in any transaction triggering the Change in Control or any liquidation of shares following a sale of substantially all assets of the Company, or (ii) the highest Fair Market Value per share at any time during the 60-day period preceding and 60-day period following the Change in Control.

10. Additional Award Forfeiture Provisions.

(a) Events Triggering Forfeiture. Notwithstanding any other provision of this Plan, the forfeitures specified in Section 10(a) will be triggered if the Participant's employment or engagement is terminated by the Company and the Board makes a determination that the Participant (i) has engaged in any type of disloyalty to the Company, including without limitation, insubordination, fraud, embezzlement, theft or dishonesty in the course of his employment or engagement, or (ii) has been convicted of a felony, or (iii) has disclosed any confidential or proprietary information without the consent of the Company or (iv) has breached the terms of any written confidentiality agreement or any non-competition agreement with the Company in any material respect, all unexercised options and awards not yet settled held by such the Participant shall terminate upon the earlier of the date of termination of employment or engagement for "cause" of the date of such a finding at any time during the Participant's employment by the Company or a subsidiary or affiliate or during the one-year period following termination of such employment.

(b) Committee Discretion. The Committee may, in its discretion, waive in whole or in part the Company's right to forfeiture under this Section, but no such waiver shall be effective unless evidenced by a writing signed by a duly authorized officer of the Company. In addition, the Committee may impose additional conditions on Awards, by inclusion of appropriate provisions in the document evidencing or governing any such Award.

11. General Provisions.

(a) **Compliance with Legal and Other Requirements.** The Company may, to the extent deemed necessary or advisable by the Committee, postpone the issuance or delivery of Stock or payment of other benefits under any Award until completion of such registration or qualification of such Stock or other required action under any federal or state law, rule or regulation, listing or other required action with respect to any stock exchange or automated quotation system upon which the Stock or other securities of the Company are listed or quoted, or compliance with any other obligation of the Company, as the Committee may consider appropriate, and may require any Participant to make such representations, furnish such information and comply with or be subject to such other conditions as it may consider appropriate in connection with the issuance or delivery of Stock or payment of other benefits in compliance with applicable laws, rules, and regulations, listing requirements, or other obligations. The foregoing notwithstanding, in connection with a Change in Control, the Company shall take or cause to be taken no action, and shall undertake or permit to arise no legal or contractual obligation, that results or would result in any postponement of the issuance or delivery of Stock or payment of benefits under any Award or the imposition of any other conditions on such issuance, delivery or payment, to the extent that such postponement or other condition would represent a greater burden on a Participant than existed on the 90th day preceding the Change in Control.

(b) **Limits on Transferability; Beneficiaries.** No Award or other right or interest of a Participant under the Plan shall be pledged, hypothecated or otherwise encumbered or subject to any lien, obligation or liability of such Participant to any party (other than the Company or a subsidiary or affiliate thereof), or assigned or transferred by such Participant otherwise than by will or the laws of descent and distribution or to a Beneficiary upon the death of a Participant, and such Awards or rights that may be exercisable shall be exercised during the lifetime of the Participant only by the Participant or his or her guardian or legal representative, except that Awards and other rights (other than ISOs and SARs in tandem therewith) may be transferred to one or more transferees during the lifetime of the Participant, and may be exercised by such transferees in accordance with the terms of such Award, but only if and to the extent such transfers are permitted by the Committee, subject to any terms and conditions which the Committee may impose thereon (including limitations the Committee may deem appropriate in order that offers and sales under the Plan will meet applicable requirements of registration forms under the Securities Act of 1933 specified by the Securities and Exchange Commission). A Beneficiary, transferee, or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award document applicable to such Participant, except as otherwise determined by the Committee, and to any additional terms and conditions deemed necessary or appropriate by the Committee.

(c) **Adjustments.** In the event that any large, special and non-recurring dividend or other distribution (whether in the form of cash or property other than Stock), recapitalization, forward or reverse split, Stock dividend, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, liquidation, dissolution or other similar corporate transaction or event affects the Stock such that an adjustment is determined by the Committee to be appropriate under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of shares of Stock which may be delivered in connection with Awards granted thereafter, (ii) the number and kind of shares of Stock by which annual per-person Award limitations are measured under Section 5, (iii) the number and kind of shares of Stock subject to or deliverable in respect of outstanding Awards and (iv) the exercise price, grant price or purchase price relating to any Award or, if deemed appropriate, the Committee may make provision for a payment of cash or property to the holder of an outstanding Option (subject to Section 11(k)). In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards (including Performance Awards and performance goals and any hypothetical funding pool relating thereto) in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence, as well as acquisitions and dispositions of businesses and assets) affecting the Company, any subsidiary or affiliate or other business unit, or the financial statements of the Company or any subsidiary or affiliate, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations or business conditions or in view of the Committee's assessment of the business strategy of the Company, any subsidiary or affiliate or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of a Participant, and any other circumstances deemed relevant; provided that no such

adjustment shall be authorized or made if and to the extent that the existence of such authority (i) would cause Options, SARs, or Performance Awards granted under Section 8 to Participants designated by the Committee as Covered Employees and intended to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder to otherwise fail to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder, or (ii) would cause the Committee to be deemed to have authority to change the targets, within the meaning of Treasury Regulation 1.162-27(e)(4)(vi), under the performance goals relating to Options or SARs granted to Covered Employees and intended to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder.

(d) Tax Provisions.

(i) Withholding. The Company and any subsidiary or affiliate is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Stock, or any payroll or other payment to a Participant, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's withholding obligations, either on a mandatory or elective basis in the discretion of the Committee. Other provisions of the Plan notwithstanding, only the minimum amount of Stock deliverable in connection with an Award necessary to satisfy statutory withholding requirements will be withheld.

(ii) Required Consent to and Notification of Code Section 83(b) Election. No election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Code Section 83(b)) or under a similar provision of the laws of a jurisdiction outside the United States may be made unless expressly permitted by the terms of the Award document or by action of the Committee in writing prior to the making of such election. In any case in which a Participant is permitted to make such an election in connection with an Award, the Participant shall notify the Company of such election within ten days of filing notice of the election with the Internal Revenue Service or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Code Section 83(b) or other applicable provision.

(iii) Requirement of Notification Upon Disqualifying Disposition Under Code Section 421(b). If any Participant shall make any disposition of shares of Stock delivered pursuant to the exercise of an Incentive Stock Option under the circumstances described in Code Section 421(b) (relating to certain disqualifying dispositions), such Participant shall notify the Company of such disposition within ten days thereof.

(e) Changes to the Plan. The Board may amend, suspend or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of shareholders or Participants; provided, however, that any amendment to the Plan shall be submitted to the Company's shareholders for approval not later than the earliest annual meeting for which the record date is after the date of such Board action if such shareholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Stock may then be listed or quoted, and the Board may otherwise, in its discretion, determine to submit other amendments to the Plan to shareholders for approval; and provided further, that, without the consent of an affected Participant, no such Board action may materially and adversely affect the rights of such Participant under any outstanding Award. Without the approval of shareholders, the Committee will not amend or replace previously granted Options in a transaction that constitutes a "repricing," as such term is used in Instruction 3 to Item 402(b)(2)(iv) of Regulation S-K, as promulgated by the Securities and Exchange Commission. With regard to other terms of Awards, the Committee shall have no authority to waive or modify any such Award term after the Award has been granted to the extent the waived or modified term would be mandatory under the Plan for any Award newly granted at the date of the waiver or modification.

(f) Right of Setoff. The Company or any subsidiary or affiliate may, to the extent permitted by applicable law, deduct from and set off against any amounts the Company or a subsidiary or affiliate may owe to the Participant from time to time, including amounts payable in connection with any Award, owed as wages, fringe benefits, or other compensation owed to the Participant, such amounts as may be owed by the Participant to the Company, including but not limited to amounts owed under Section 10(a), although the Participant shall remain liable for any part of the Participant's payment obligation not satisfied through such deduction and setoff. By accepting any Award granted hereunder, the Participant agrees to any deduction or setoff under this Section 11(f).

(g) Unfunded Status of Awards; Creation of Trusts. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant or obligation to deliver Stock pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided that the Committee may authorize the creation of trusts and deposit therein cash, Stock, other Awards or other property, or make other arrangements to meet the Company's obligations under the Plan. Such trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.

(h) Nonexclusivity of the Plan. Neither the adoption of the Plan by the Board nor its submission to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements, apart from the Plan, as it may deem desirable, including incentive arrangements and awards which do not qualify under Code Section 162(m), and such other arrangements may be either applicable generally or only in specific cases.

(i) Payments in the Event of Forfeitures; Fractional Shares. Unless otherwise determined by the Committee, in the event of a forfeiture of an Award with respect to which a Participant paid cash consideration, the Participant shall be repaid the amount of such cash consideration. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(j) Compliance with Code Section 162(m). It is the intent of the Company that Options and SARs granted to Covered Employees and other Awards designated as Awards to Covered Employees subject to Section 7 shall constitute qualified "performance-based compensation" within the meaning of Code Section 162(m) and regulations thereunder, unless otherwise determined by the Committee at the time of allocation of an Award. Accordingly, the terms of Sections 7(b), and (c), including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with Code Section 162(m) and regulations thereunder. The foregoing notwithstanding, because the Committee cannot determine with certainty whether a given Participant will be a Covered Employee with respect to a fiscal year that has not yet been completed, the term Covered Employee as used herein shall mean only a person designated by the Committee as likely to be a Covered Employee with respect to a specified fiscal year. If any provision of the Plan or any Award document relating to a Performance Award that is designated as intended to comply with Code Section 162(m) does not comply or is inconsistent with the requirements of Code Section 162(m) or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements, and no provision shall be deemed to confer upon the Committee or any other person discretion to increase the amount of compensation otherwise payable in connection with any such Award upon attainment of the applicable performance objectives.

(k) Certain Limitations Relating to Accounting Treatment of Awards. Other provisions of the Plan notwithstanding, the Committee's authority under the Plan (including under Sections 8(c), 8(d), 11(c) and 11(d)) is limited to the extent necessary to ensure that any Option or other Award of a type that the Committee has intended to be subject to fixed accounting with a measurement date at the date of grant or the date performance conditions are satisfied under APB 25 shall not become subject to "variable" accounting solely due to the existence of such authority, unless the Committee specifically determines that the Award shall remain outstanding despite such "variable" accounting. In addition, other provisions of the Plan notwithstanding, (i) if any right under this Plan would cause a transaction to be ineligible for pooling-of-

interests accounting that would, but for the right hereunder, be eligible for such accounting treatment, such right shall be automatically adjusted so that pooling-of-interests accounting shall be available, including by substituting Stock or cash having a Fair Market Value equal to any cash or Stock otherwise payable in respect of any right to cash which would cause the transaction to be ineligible for pooling-of-interests accounting, and (ii) if the authority of the Board or the Continuing Directors under Section 9(c) would cause a transaction to be ineligible for pooling-of-interests accounting that would, but for such authority, be eligible for such accounting treatment, such authority shall be limited to the extent necessary so that such transaction would be eligible for pooling-of-interests accounting.

(l) **Governing Law.** The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan and any Award document shall be determined in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to principles of conflicts of laws, and applicable provisions of federal law.

(m) **Awards to Participants Outside the United States.** The Committee may modify the terms of any Award under the Plan made to or held by a Participant who is then resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that such Award shall conform to laws, regulations, and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad shall be comparable to the value of such an Award to a Participant who is resident or primarily employed in the United States. An Award may be modified under this Section 11(m) in a manner that is inconsistent with the express terms of the Plan, so long as such modifications will not contravene any applicable law or regulation or result in actual liability under Section 16(b) for the Participant whose Award is modified.

(n) **Limitation on Rights Conferred under Plan.** Neither the Plan nor any action taken hereunder shall be construed as (i) giving any Eligible Person or Participant the right to continue as an Eligible Person or Participant or in the employ or service of the Company or a subsidiary or affiliate, (ii) interfering in any way with the right of the Company or a subsidiary or affiliate to terminate any Eligible Person's or Participant's employment or service at any time, (iii) giving an Eligible Person or Participant any claim to be granted any Award under the Plan or to be treated uniformly with other Participants and employees, or (iv) conferring on a Participant any of the rights of a shareholder of the Company unless and until the Participant is duly issued or transferred shares of Stock in accordance with the terms of an Award or an Option is duly exercised. Except as expressly provided in the Plan and an Award document, neither the Plan nor any Award document shall confer on any person other than the Company and the Participant any rights or remedies thereunder.

(o) **Severability; Entire Agreement.** If any of the provisions of this Plan or any Award document is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability, and the remaining provisions shall not be affected thereby; provided, that, if any of such provisions is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision shall be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder. The Plan and any Award documents contain the entire agreement of the parties with respect to the subject matter thereof and supersede all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral with respect to the subject matter thereof.

(p) **Awards under Preexisting Plans.** Upon approval of the Plan by shareholders of the Company as required under Section 11(r), no further awards shall be granted under the Preexisting Plans. Outstanding awards under such Preexisting Plans shall remain subject to the terms thereof.

(q) References to Legal and Regulatory Provisions. References in this Plan to any provision of law, including the Code and the Exchange Act, or rule or regulation (including accounting principles and interpretations) shall include subsequently adopted amendments and any successor provisions, rules or regulations.

(r) Plan Effective Date and Termination. The Plan shall become effective if, and at such time as, the shareholders of the Company have approved it by the affirmative votes of the holders of a majority of the voting securities of the Company present, or represented, and entitled to vote on the subject matter at a duly held meeting of shareholders. Unless earlier terminated by action of the Board of Directors, the Plan will remain in effect until such time as no Stock remains available for delivery under the Plan and the Company has no further rights or obligations under the Plan with respect to outstanding Awards under the Plan.

AMENDMENT TO THE
INTERDIGITAL COMMUNICATIONS CORPORATION
1992 EMPLOYEE STOCK OPTION PLAN

The Board of Directors of InterDigital Communications Corporation has caused the above-referenced plan (the "Plan") to be amended as follows, effective as of the approval by the Company's shareholders of the 2000 Stock Award and Incentive Plan (the "2000 Plan") on June 1, 2000:

Section 5 of the Plan is hereby amended by deleting in the section in its entirety and replacing it with the following:

"Effective June 1, 2000, no further Options may be granted under this Plan. Shares subject to an Option that is canceled, expired, forfeited, settled in cash or otherwise terminated without a delivery of shares to the Participant after June 1, 2000 shall return to the 2000 Plan and become available for future grant under the 2000 Plan."

The Plan, as amended by the foregoing change, is hereby ratified and confirmed in all respects.

AMENDMENT TO THE
INTERDIGITAL COMMUNICATIONS CORPORATION
1992 INCENTIVE STOCK OPTION PLAN

The Board of Directors of InterDigital Communications Corporation has caused the above-referenced plan (the "Plan") to be amended as follows, effective as of the approval by the Company's shareholders of the 2000 Stock Award and Incentive Plan (the "2000 Plan") on June 1, 2000:

Section 4 of the Plan is hereby amended by deleting in the section in its entirety and replacing it with the following:

"Effective June 1, 2000, no further Options may be granted under this Plan. Shares subject to an Option that is canceled, expired, forfeited, settled in cash or otherwise terminated without a delivery of shares to the Participant after June 1, 2000 shall return to the 2000 Plan and become available for future grant under the 2000 Plan."

The Plan, as amended by the foregoing change, is hereby ratified and confirmed in all respects.

AMENDMENT TO THE
INTERDIGITAL COMMUNICATIONS CORPORATION
NON-QUALIFIED STOCK OPTION PLAN

The Board of Directors of InterDigital Communications Corporation has caused the above-referenced plan (the "Plan") to be amended as follows, effective as of the approval by the Company's shareholders of the 2000 Stock Award and Incentive Plan (the 2000 Plan") on June 1, 2000:

Section 4 of the Plan is hereby amended by deleting in the section in its entirety and replacing it with the following:

"Effective June 1, 2000, no further Options may be granted under this Plan. Shares subject to an Option that is canceled, expired, forfeited, settled in cash or otherwise terminated without a delivery of shares to the Participant after June 1, 2000 shall return to the 2000 Plan and become available for future grant under the 2000 Plan."

The Plan, as amended by the foregoing change, is hereby ratified and confirmed in all respects.

AMENDMENT TO THE
INTERDIGITAL COMMUNICATIONS CORPORATION
1992 NON-QUALIFIED STOCK OPTION PLAN

The Board of Directors of InterDigital Communications Corporation has caused the above-referenced plan (the "Plan") to be amended as follows, effective as of the approval by the Company's shareholders of the 2000 Stock Award and Incentive Plan (the "2000 Plan") on June 1, 2000:

Section 5 of the Plan is hereby amended by deleting in the section in its entirety and replacing it with the following:

"Effective June 1, 2000, no further Options may be granted under this Plan. Shares subject to an Option that is canceled, expired, forfeited, settled in cash or otherwise terminated without a delivery of shares to the Participant after June 1, 2000 shall return to the 2000 Plan and become available for future grant under the 2000 Plan."

The Plan, as amended by the foregoing change, is hereby ratified and confirmed in all respects.

**AMENDMENT TO THE
INTERDIGITAL COMMUNICATIONS CORPORATION**

1995 STOCK OPTION PLAN FOR EMPLOYEES AND OUTSIDE DIRECTORS

The Board of Directors of InterDigital Communications Corporation has caused the above-referenced plan (the "Plan") to be amended as follows, effective as of the approval by the Company's shareholders of the 2000 Stock Award and Incentive Plan (the "2000 Plan") on June 1, 2000:

Section 5 of the Plan is hereby amended by deleting in the section in its entirety and replacing it with the following:

"Effective June 1, 2000, no further Options may be granted under this Plan. Shares subject to an Option that is canceled, expired, forfeited, settled in cash or otherwise terminated without a delivery of shares to the Participant after June 1, 2000 shall return to the 2000 Plan and become available for future grant under the 2000 Plan."

The Plan, as amended by the foregoing change, is hereby ratified and confirmed in all respects.

**AMENDMENT TO THE
INTERDIGITAL COMMUNICATIONS CORPORATION**

1997 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS

The Board of Directors of InterDigital Communications Corporation has caused the above-referenced plan (the "Plan") to be amended as follows, effective as of the approval by the Company's shareholders of the 2000 Stock Award and Incentive Plan (the "2000 Plan") on June 1, 2000:

Section 4 of the Plan is hereby amended by deleting in the section in its entirety and replacing it with the following:

"Effective June 1, 2000, no further Options may be granted under this Plan. Shares subject to an Option that is canceled, expired, forfeited, settled in cash or otherwise terminated without a delivery of shares to the Participant after June 1, 2000 shall return to the 2000 Plan and become available for future grant under the 2000 Plan."

The Plan, as amended by the foregoing change, is hereby ratified and confirmed in all respects.

**AMENDMENT TO THE
INTERDIGITAL COMMUNICATIONS CORPORATION
INCENTIVE STOCK OPTION PLAN**

The Board of Directors of InterDigital Communications Corporation has caused the above-referenced plan (the "Plan") to be amended as follows, effective as of the approval by the Company's shareholders of the 2000 Stock Award and Incentive Plan (the "2000 Plan") on June 1, 2000:

Section 4 of the Plan is hereby amended by deleting in the section in its entirety and replacing it with the following:

"Effective June 1, 2000, no further Options may be granted under this Plan. Shares subject to an Option that is canceled, expired, forfeited, settled in cash or otherwise terminated without a delivery of shares to the optionee after June 1, 2000 shall return to the 2000 Plan and become available for future grant under the 2000 Plan."

The Plan, as amended by the foregoing change, is hereby ratified and confirmed in all respects.

AMENDMENT

This Amendment is made between InterDigital Communications Corporation ("InterDigital") and Richard J. Fagan ("Employee"), with reference to the following recitals:

A. InterDigital and Employee are parties to a certain Employment Agreement ("Agreement") dated November 16, 1998.

B. InterDigital and Employee desire to amend certain terms of the Agreement, as set forth herein.

NOW, THEREFORE, in consideration of the above recitals, the mutual promises contained herein and intending to be legally bound thereby, the parties agree as follows:

1. Tax Gross-Up. The following provision is hereby added to the end of Section 5 of the Agreement:

"In the event any amount or benefit payable to the Employee under this Agreement or under any other plan, agreement or arrangement applicable to the Employee, is subject to an excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or imposed under any successor provision of the Code imposing a tax liability on "excess parachute payments" as that term is defined in Code Section 280G), Employee shall be entitled, in addition to any other amounts payable under the terms of this Agreement or under any other plan, agreement or arrangement applicable to the Employee, to a cash payment in an amount sufficient to indemnify the Employee (or such other person as may be liable for the payment of such excise tax) for the amount of any such excise tax, and leaving Grantee with an amount, net after all federal, state and local taxes, equal to the amount Grantee would have had if no portion of his benefit under the Plan constituted an "excess parachute payment." Notwithstanding the foregoing, the determination of the amount necessary to indemnify the Employee shall be made taking into account all other payments made to the Employee under any plans, agreements or arrangements aside from this Agreement that are intended to indemnify the Employee with respect to excise taxes on "excess parachute payments. Any disputes as to calculations to be made under this paragraph shall be resolved by the Company's independent auditors, whose determinations shall be final and binding. This provision shall survive the termination of this Agreement and Employee's employment."

2. Business. The definition of "Business" is hereby amended to be "the design and development of technology content and system solutions for advanced digital wireless

communications applications and the licensing of wireless digital telephone technology (as more particularly described in the Company's Form 10-K)". The definition of Business shall change and evolve over time as the Company's business changes and evolves, and such definition shall automatically adjust each year with the filing of the Company's then current Form 10-K to be consistent with the business of the Company described therein.

3. Change in Control Definition. Section 9.6(b) of the Agreement is hereby amended to read as follows:

"For purposes of this Section 9.6, a "Change of Control" means the acquisition (including by merger or consolidation, or by the issuance by the Company of its securities) by one or more persons in one transaction or a series of related transactions, of more than fifty percent (50%) of the voting power represented by the outstanding stock of the Company on the date hereof or a sale of substantially all of the assets of the Company. For these purposes, "Person" means an individual, partnership, corporation, joint venture, association, trust, unincorporated association, other entity or association."

4. Termination Letter. The Agreement shall be amended to provide for the requirement that Employee sign the Company's standard form termination letter as a condition to receiving severance and benefits continuation in the event of a termination for absenteeism and in the event of a Change in Control and that , to be effective, the termination letters must not be revoked. Accordingly, the phrase "and provided Employee signs Company's standard form termination letter as provided for in Section 9.8 below" is hereby added to the second sentence of Sections 9.1 (b), 9.4(b), 9.5(b) and 9.7(b) after the words "In addition," and to the second sentence of Section 9.6(a) after the words "In addition, (i)". Further, a new Section 9.8 is hereby added to read as follows:

"As a condition precedent to the Company's payment of severance and continuation of medical and dental insurance coverage pursuant to Sections 9.1, 9.4, 9.5, 9.6 and 9.7 herein, Employee must sign and deliver to Company Company's termination letter (without revocation to the extent such right is provided) which includes a broad-based employment release, an obligation to return Company property and a reiteration of Employee's confidentiality obligations, within the time frame specified in the termination letter."

5. Covenant Not to Compete. The covenants contained in Sections 8(a) and 8(b) shall be deemed only to apply to activities that are "directly competitive" with the Company's Business. An activity shall be deemed "directly competitive" when there is a reasonable likelihood that the activity prohibited would result in the use of technical trade secrets or other highly confidential information of the Company's or its business associates.

6. Entire Agreement. Section 15 of the Agreement is hereby amended to add the following at the end of the Section: "excepting the non-disclosure agreement and the Statement of Ethics signed by Employee at the commencement of Employee's employment with the Company, various forms related to the commencement of Employee's employment with the Company and Employee's participation in employee benefit plans offered by the Company (including, without limitation, option and restricted stock agreements), and agreements to be bound by Company policies to the extent that these other agreements do not conflict with the terms of this Agreement.

7. Force and Effect. Nothing contained herein or in the Agreement shall be construed to alter Employee's status as an employee-at-will. Except as amended and modified herein, the Agreement shall continue in full force and effect.

INTENDING TO BE LEGALLY BOUND, the parties have executed this Amendment as of the 6th day of April, 2000.

INTERDIGITAL COMMUNICATIONS CORPORATION

By: /s/ William J. Merritt

/s/ R. J. Fagan

RICHARD J. FAGAN

AMENDMENT

This Amendment is made between InterDigital Communications Corporation ("InterDigital") and Mark Lemmo ("Employee"), with reference to the following recitals:

A. InterDigital and Employee are parties to a certain Employment Agreement ("Agreement") dated May 7, 1997.

B. InterDigital and Employee desire to amend certain terms of the Agreement, as set forth herein.

NOW, THEREFORE, in consideration of the above recitals, the mutual promises contained herein and intending to be legally bound thereby, the parties agree as follows:

1. Tax Gross-Up. The following provision is hereby added to the end of Section 5 of the Agreement:

"In the event any amount or benefit payable to the Employee under this Agreement or under any other plan, agreement or arrangement applicable to the Employee, is subject to an excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or imposed under any successor provision of the Code imposing a tax liability on "excess parachute payments" as that term is defined in Code Section 280G), Employee shall be entitled, in addition to any other amounts payable under the terms of this Agreement or under any other plan, agreement or arrangement applicable to the Employee, to a cash payment in an amount sufficient to indemnify the Employee (or such other person as may be liable for the payment of such excise tax) for the amount of any such excise tax, and leaving Grantee with an amount, net after all federal, state and local taxes, equal to the amount Grantee would have had if no portion of his benefit under the Plan constituted an "excess parachute payment." Notwithstanding the foregoing, the determination of the amount necessary to indemnify the Employee shall be made taking into account all other payments made to the Employee under any plans, agreements or arrangements aside from this Agreement that are intended to indemnify the Employee with respect to excise taxes on "excess parachute payments. Any disputes as to calculations to be made under this paragraph shall be resolved by the Company's independent auditors, whose determinations shall be final and binding. This provision shall survive the termination of this Agreement and Employee's employment."

2. Business. The definition of "Business" is hereby amended to be "the design

and development of technology content and system solutions for advanced digital wireless communications applications and the licensing of wireless digital telephone technology (as more particularly described in the Company's Form 10-K)". The definition of Business shall change and evolve over time as the Company's business changes and evolves, and such definition shall automatically adjust each year with the filing of the Company's then current Form 10-K to be consistent with the business of the Company described therein.

3. Change in Control Definition. Section 9.6(b) of the Agreement is hereby amended to read as follows:

"For purposes of this Section 9.6, a "Change of Control" means the acquisition (including by merger or consolidation, or by the issuance by the Company of its securities) by one or more persons in one transaction or a series of related transactions, of more than fifty percent (50%) of the voting power represented by the outstanding stock of the Company on the date hereof or a sale of substantially all of the assets of the Company. For these purposes, "Person" means an individual, partnership, corporation, joint venture, association, trust, unincorporated association, other entity or association."

4. Termination Letter. The Agreement shall be amended to provide for the requirement that Employee sign the Company's standard form termination letter as a condition to receiving severance and benefits continuation in the event of a termination for absenteeism and in the event of a Change in Control and that , to be effective, the termination letters must not be revoked. Accordingly, the phrase "and provided Employee signs Company's standard form termination letter as provided for in Section 9.8 below" is hereby added to the second sentence of Sections 9.1 (b), 9.4(b), 9.5(b) and 9.7(b) after the words "In addition," and to the second sentence of Section 9.6(a) after the words "In addition, (i)". Further, a new Section 9.8 is hereby added to read as follows:

"As a condition precedent to the Company's payment of severance and continuation of medical and dental insurance coverage pursuant to Sections 9.1, 9.4, 9.5, 9.6 and 9.7 herein, Employee must sign and deliver to Company Company's termination letter (without revocation to the extent such right is provided) which includes a broad-based employment release, an obligation to return Company property and a reiteration of Employee's confidentiality obligations, within the time frame specified in the termination letter."

5. Covenant Not to Compete. The covenants contained in Sections 8(a) and 8(b) shall be deemed only to apply to activities that are "directly competitive" with the Company's Business. An activity shall be deemed "directly competitive" when there is a reasonable likelihood that the activity prohibited would result in the use of technical trade secrets or other highly confidential information of the Company's or its business associates.

6. Entire Agreement. Section 15 of the Agreement is hereby amended to add the following at the end of the first sentence: "excepting the non-disclosure agreement and the Statement of Ethics signed by Employee at the commencement of Employee's employment with the Company, various forms related to the commencement of Employee's employment with the Company and Employee's participation in employee benefit plans offered by the Company (including, without limitation, option and restricted stock agreements), and agreements to be bound by Company policies to the extent that these other agreements do not conflict with the terms of this Agreement.

7. Force and Effect. Nothing contained herein or in the Agreement shall be construed to alter Employee's status as an employee-at-will. Except as amended and modified herein, the Agreement shall continue in full force and effect.

INTENDING TO BE LEGALLY BOUND, the parties have executed this Amendment as of the 6th day of April, 2000.

INTERDIGITAL COMMUNICATIONS CORPORATION

By: /s/ William J. Merritt

/s/ Mark Lemmo

MARK LEMMO

AMENDMENT

This Amendment is made between InterDigital Communications Corporation ("InterDigital") and William J. Merritt ("Employee"), with reference to the following recitals:

A. InterDigital and Employee are parties to a certain Employment Agreement ("Agreement") dated September 3, 1998.

B. InterDigital and Employee desire to amend certain terms of the Agreement, as set forth herein.

NOW, THEREFORE, in consideration of the above recitals, the mutual promises contained herein and intending to be legally bound thereby, the parties agree as follows:

1. Tax Gross-Up. The following provision is hereby added to the end of Section 10 of the Agreement.

"In the event any amount or benefit payable to the Employee under this Agreement or under any other plan, agreement or arrangement applicable to the Employee, is subject to an excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or imposed under any successor provision of the Code imposing a tax liability on "excess parachute payments" as that term is defined in Code Section 280G), Employee shall be entitled, in addition to any other amounts payable under the terms of this Agreement or under any other plan, agreement or arrangement applicable to the Employee, to a cash payment in an amount sufficient to indemnify the Employee (or such other person as may be liable for the payment of such excise tax) for the amount of any such excise tax, and leaving Grantee with an amount, net after all federal, state and local taxes, equal to the amount Grantee would have had if no portion of his benefit under the Plan constituted an "excess parachute payment." Notwithstanding the foregoing, the determination of the amount necessary to indemnify the Employee shall be made taking into account all other payments made to the Employee under any plans, agreements or arrangements aside from this Agreement that are intended to indemnify the Employee with respect to excise taxes on "excess parachute payments. Any disputes as to calculations to be made under this paragraph shall be resolved by the Company's independent auditors, whose determinations shall be final and binding. This provision shall survive the termination of this Agreement and Employee's employment."

2. Business. The definition of "Business" is hereby amended to be "the design and

development of technology content and system solutions for advanced digital wireless communications applications and the licensing of wireless digital telephone technology (as more particularly described in the Company's Form 10-K)". The definition of Business shall change and evolve over time as the Company's business changes and evolves, and such definition shall automatically adjust each year with the filing of the Company's then current Form 10-K to be consistent with the business of the Company described therein.

3. Change in Control Definition. Section 7(b) of the Agreement is hereby amended to read as follows:

"For purposes of this Section 7, a "Change of Control" means the acquisition (including by merger or consolidation, or by the issuance by the Company of its securities) by one or more persons in one transaction or a series of related transactions, of more than fifty percent (50%) of the voting power represented by the outstanding stock of the Company on the date hereof or a sale of substantially all of the assets of the Company. For these purposes, "Person" means an individual, partnership, corporation, joint venture, association, trust, unincorporated association, other entity or association."

4. Termination Letter. The Agreement shall be amended to provide for the requirement that Employee sign the Company's standard form termination letter as a condition to receiving severance and benefits continuation in the event of a termination for absenteeism and in the event of a Change in Control and that , to be effective, the termination letters must not be revoked. Accordingly, the phrase "and provided Employee signs Company's standard form termination letter as provided for in Section 9 below" is hereby added to the second sentence of Section 6(b) after the words "In addition," and to the second sentence of Section 7 after the words "In addition, (i)". Further, a new Section 9 is hereby added to read as follows:

"As a condition precedent to the Company's payment of severance and continuation of medical and dental insurance coverage pursuant to Sections 1, 5, 6 and 7 above, Employee must sign and deliver to Company Company's termination letter (without revocation to the extent such right is provided) which includes a broad-based employment release, an obligation to return Company property and a reiteration of Employee's confidentiality obligations, within the time frame specified in the termination letter."

5. Covenant Not to Compete. The covenants contained in Sections 8(a) and 8(b) shall be deemed only to apply to activities that are "directly competitive" with the Company's Business. An activity shall be deemed "directly competitive" when there is a reasonable likelihood that the activity prohibited would result in the use of technical trade secrets or other highly confidential information of the Company's or its business associates.

6. Enforcement. The following provision is hereby added to the end of Section 8 of the Agreement:

"Employee acknowledges that the damages sustainable by the Company as a result of Employee's failure to comply with the restrictions contained in this Section 8 are extremely difficult to measure. Accordingly, in the event Employee fails to comply with these restrictions, Company shall have the right, in addition to all other remedies at law or in equity, to have the provisions of this Section 8 of this Agreement specifically enforced by any court having equity jurisdiction and to obtain a temporary or permanent injunction or order prohibiting Employee from violating the provisions thereof. In any proceeding by InterDigital to obtain injunctive relief, Employee's ability to answer in damages shall not be a bar or be interposed as a defense to the granting of relief and the Company shall not be required to post a bond or other undertaking in such a proceeding."

7. Entire Agreement. Section 13 of the Agreement is hereby amended to add the following at the end of the Section: "excepting the non-disclosure agreement and the Statement of Ethics signed by Employee at the commencement of Employee's employment with the Company, various forms related to the commencement of Employee's employment with the Company and Employee's participation in employee benefit plans offered by the Company (including, without limitation, option and restricted stock agreements), and agreements to be bound by Company policies to the extent that these other agreements do not conflict with the terms of this Agreement.

8. Force and Effect. Nothing contained herein or in the Agreement shall be construed to alter Employee's status as an employee-at-will. Except as amended and modified herein, the Agreement shall continue in full force and effect.

INTENDING TO BE LEGALLY BOUND, the parties have executed this Amendment as of the 6th day of April, 2000.

INTERDIGITAL COMMUNICATIONS CORPORATION

By: /s/ Howard E. Goldberg

/s/ William J. Merritt

WILLIAM J. MERRITT

AMENDMENT

This Amendment is made between InterDigital Communications Corporation ("InterDigital") and Charles R. Tilden ("Employee"), with reference to the following recitals:

A. InterDigital and Employee are parties to a certain Employment Agreement ("Agreement") dated November 18, 1996.

B. InterDigital and Employee desire to amend certain terms of the Agreement, as set forth herein.

NOW, THEREFORE, in consideration of the above recitals, the mutual promises contained herein and intending to be legally bound thereby, the parties agree as follows:

1. Tax Gross-Up. The following provision is hereby added to the end of Section 5 of the Agreement:

"In the event any amount or benefit payable to the Employee under this Agreement or under any other plan, agreement or arrangement applicable to the Employee, is subject to an excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or imposed under any successor provision of the Code imposing a tax liability on "excess parachute payments" as that term is defined in Code Section 280G), Employee shall be entitled, in addition to any other amounts payable under the terms of this Agreement or under any other plan, agreement or arrangement applicable to the Employee, to a cash payment in an amount sufficient to indemnify the Employee (or such other person as may be liable for the payment of such excise tax) for the amount of any such excise tax, and leaving Grantee with an amount, net after all federal, state and local taxes, equal to the amount Grantee would have had if no portion of his benefit under the Plan constituted an "excess parachute payment." Notwithstanding the foregoing, the determination of the amount necessary to indemnify the Employee shall be made taking into account all other payments made to the Employee under any plans, agreements or arrangements aside from this Agreement that are intended to indemnify the Employee with respect to excise taxes on "excess parachute payments. Any disputes as to calculations to be made under this paragraph shall be resolved by the Company's independent auditors, whose determinations shall be final and binding. This provision shall survive the termination of this Agreement and Employee's employment."

2. Business. The definition of "Business" is hereby amended to be "the design and

development of technology content and system solutions for advanced digital wireless communications applications and the licensing of wireless digital telephone technology (as more particularly described in the Company's Form 10-K)". The definition of Business shall change and evolve over time as the Company's business changes and evolves, and such definition shall automatically adjust each year with the filing of the Company's then current Form 10-K to be consistent with the business of the Company described therein.

3. Change in Control Definition. Section 9.6(b) of the Agreement is hereby amended to read as follows:

"For purposes of this Section 9.6, a "Change of Control" means the acquisition (including by merger or consolidation, or by the issuance by the Company of its securities) by one or more persons in one transaction or a series of related transactions, of more than fifty percent (50%) of the voting power represented by the outstanding stock of the Company on the date hereof or a sale of substantially all of the assets of the Company. For these purposes, "Person" means an individual, partnership, corporation, joint venture, association, trust, unincorporated association, other entity or association."

4. Termination Letter. The Agreement shall be amended to provide for the requirement that Employee sign the Company's standard form termination letter as a condition to receiving severance and benefits continuation in the event of a termination for absenteeism and in the event of a Change in Control and that , to be effective, the termination letters must not be revoked. Accordingly, the phrase "and provided Employee signs Company's standard form termination letter as provided for in Section 9.8 below" is hereby added to the second sentence of Sections 9.1 (b), 9.4(b), 9.5(b) and 9.7(b) after the words "In addition," and to the second sentence of Section 9.6(a) after the words "In addition, (i)". Further, a new Section 9.8 is hereby added to read as follows:

"As a condition precedent to the Company's payment of severance and continuation of medical and dental insurance coverage pursuant to Sections 9.1, 9.4, 9.5, 9.6 and 9.7 herein, Employee must sign and deliver to Company Company's termination letter (without revocation to the extent such right is provided) which includes a broad-based employment release, an obligation to return Company property and a reiteration of Employee's confidentiality obligations, within the time frame specified in the termination letter."

5. Covenant Not to Compete. The covenants contained in Sections 8(a) and 8(b) shall be deemed only to apply to activities that are "directly competitive" with the Company's Business. An activity shall be deemed "directly competitive" when there is a reasonable likelihood that the activity prohibited would result in the use of technical trade secrets or other highly confidential information of the Company's or its business associates.

6. Entire Agreement. Section 15 of the Agreement is hereby amended to add the following at the end of the first sentence: "excepting the non-disclosure agreement and the Statement of Ethics signed by Employee at the commencement of Employee's employment with the Company, various forms related to the commencement of Employee's employment with the Company and Employee's participation in employee benefit plans offered by the Company (including, without limitation, option and restricted stock agreements), and agreements to be bound by Company policies to the extent that these other agreements do not conflict with the terms of this Agreement.

7. Force and Effect. Nothing contained herein or in the Agreement shall be construed to alter Employee's status as an employee-at-will. Except as amended and modified herein, the Agreement shall continue in full force and effect.

INTENDING TO BE LEGALLY BOUND, the parties have executed this Amendment as of the 6th day of April, 2000.

INTERDIGITAL COMMUNICATIONS CORPORATION

By: /s/ William J. Merritt

/s/ Charles R. Tilden

CHARLES R. TILDEN

AMENDMENT

This Amendment is made between InterDigital Communications Corporation ("InterDigital") and Joseph Gifford ("Employee"), with reference to the following recitals:

A. InterDigital and Employee are parties to a certain Employment Agreement ("Agreement") dated June, 1997.

B. InterDigital and Employee desire to amend certain terms of the Agreement, as set forth herein.

NOW, THEREFORE, in consideration of the above recitals, the mutual promises contained herein and intending to be legally bound thereby, the parties agree as follows:

1. Tax Gross-Up. The following provision is hereby added to the end of Section 4 of the Agreement:

"In the event any amount or benefit payable to the Employee under this Agreement or under any other plan, agreement or arrangement applicable to the Employee, is subject to an excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or imposed under any successor provision of the Code imposing a tax liability on "excess parachute payments" as that term is defined in Code Section 280G), Employee shall be entitled, in addition to any other amounts payable under the terms of this Agreement or under any other plan, agreement or arrangement applicable to the Employee, to a cash payment in an amount sufficient to indemnify the Employee (or such other person as may be liable for the payment of such excise tax) for the amount of any such excise tax, and leaving Grantee with an amount, net after all federal, state and local taxes, equal to the amount Grantee would have had if no portion of his benefit under the Plan constituted an "excess parachute payment." Notwithstanding the foregoing, the determination of the amount necessary to indemnify the Employee shall be made taking into account all other payments made to the Employee under any plans, agreements or arrangements aside from this Agreement that are intended to indemnify the Employee with respect to excise taxes on "excess parachute payments. Any disputes as to calculations to be made under this paragraph shall be resolved by the Company's independent auditors, whose determinations shall be final and binding. This provision shall survive the termination of this Agreement and Employee's employment."

2. Business. The definition of "Business" is hereby amended to be "the design and development of technology content and system solutions for advanced digital wireless

communications applications and the licensing of wireless digital telephone technology (as more particularly described in the Company's Form 10-K)". The definition of Business shall change and evolve over time as the Company's business changes and evolves, and such definition shall automatically adjust each year with the filing of the Company's then current Form 10-K to be consistent with the business of the Company described therein.

3. Change in Control Definition. Section 8.6(b) of the Agreement is hereby amended to read as follows:

"For purposes of this Section 8.6, a "Change of Control" means the acquisition (including by merger or consolidation, or by the issuance by the Company of its securities) by one or more persons in one transaction or a series of related transactions, of more than fifty percent (50%) of the voting power represented by the outstanding stock of the Company on the date hereof or a sale of substantially all of the assets of the Company. For these purposes, "Person" means an individual, partnership, corporation, joint venture, association, trust, unincorporated association, other entity or association."

4. Termination Letter. The Agreement shall be amended to provide for the requirement that Employee sign the Company's standard form termination letter as a condition to receiving severance and benefits continuation in the event of a termination for absenteeism and in the event of a Change in Control and that , to be effective, the termination letters must not be revoked. Accordingly, the phrase "and provided Employee signs Company's standard form termination letter as provided for in Section 8.8 below" is hereby added to the second sentence of Sections 8.1 (b), 8.4(b), 8.5(b) and 8.7(b) after the words "In addition," and to the second sentence of Section 8.6(a) after the words "In addition, (i)". Further, a new Section 8.8 is hereby added to read as follows:

"As a condition precedent to the Company's payment of severance and continuation of medical and dental insurance coverage pursuant to Sections 8.1, 8.4, 8.5, 8.6 and 8.7 herein, Employee must sign and deliver to Company Company's termination letter (without revocation to the extent such right is provided) which includes a broad-based employment release, an obligation to return Company property and a reiteration of Employee's confidentiality obligations, within the time frame specified in the termination letter."

5. Covenant Not to Compete. The covenants contained in Sections 7(a) and 7(b) shall be deemed only to apply to activities that are "directly competitive" with the Company's Business. An activity shall be deemed "directly competitive" when there is a reasonable likelihood that the activity prohibited would result in the use of technical trade secrets or other highly confidential information of the Company's or its business associates.

6. Entire Agreement. Section 14 of the Agreement is hereby amended to add the following at the end of the first sentence: "excepting the non-disclosure agreement and the Statement of Ethics signed by Employee at the commencement of Employee's employment with the Company, various forms related to the commencement of Employee's employment with the Company and Employee's participation in employee benefit plans offered by the Company (including, without limitation, option and restricted stock agreements), and agreements to be bound by Company policies to the extent that these other agreements do not conflict with the terms of this Agreement.

7. Force and Effect. Nothing contained herein or in the Agreement shall be construed to alter Employee's status as an employee-at-will. Except as amended and modified herein, the Agreement shall continue in full force and effect.

INTENDING TO BE LEGALLY BOUND, the parties have executed this Amendment as of the 6th day of April, 2000.

INTERDIGITAL COMMUNICATIONS CORPORATION

By: /s/ William J. Merritt

/s/ Joseph H. Gifford

JOSEPH GIFFORD

AMENDMENT

This Amendment is made between InterDigital Communications Corporation ("InterDigital") and Howard E. Goldberg ("Employee), with reference to the following recitals:

A. InterDigital and Employee are parties to a certain Employment Agreement ("Agreement") dated February 25, 1997.

B. InterDigital and Employee desire to amend certain terms of the Agreement, as set forth herein.

NOW, THEREFORE, in consideration of the above recitals, the mutual promises contained herein and intending to be legally bound thereby, the parties agree as follows:

1. Tax Gross-Up. The following provision is hereby added to the end of Section 5 of the Agreement:

"In the event any amount or benefit payable to the Employee under this Agreement or under any other plan, agreement or arrangement applicable to the Employee, is subject to an excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or imposed under any successor provision of the Code imposing a tax liability on "excess parachute payments" as that term is defined in Code Section 280G), Employee shall be entitled, in addition to any other amounts payable under the terms of this Agreement or under any other plan, agreement or arrangement applicable to the Employee, to a cash payment in an amount sufficient to indemnify the Employee (or such other person as may be liable for the payment of such excise tax) for the amount of any such excise tax, and leaving Grantee with an amount, net after all federal, state and local taxes, equal to the amount Grantee would have had if no portion of his benefit under the Plan constituted an "excess parachute payment." Notwithstanding the foregoing, the determination of the amount necessary to indemnify the Employee shall be made taking into account all other payments made to the Employee under any plans, agreements or arrangements aside from this Agreement that are intended to indemnify the Employee with respect to excise taxes on "excess parachute payments. Any disputes as to calculations to be made under this paragraph shall be resolved by the Company's independent auditors, whose determinations shall be final and binding. This provision shall survive the termination of this Agreement and Employee's employment."

2. Business. The definition of "Business" is hereby amended to be "the design and

development of technology content and system solutions for advanced digital wireless communications applications and the licensing of wireless digital telephone technology (as more particularly described in the Company's Form 10-K)". The definition of Business shall change and evolve over time as the Company's business changes and evolves, and such definition shall automatically adjust each year with the filing of the Company's then current Form 10-K to be consistent with the business of the Company described therein.

3. Change in Control Definition. Section 9.6(b) of the Agreement is hereby amended to read as follows:

"For purposes of this Section 9.6, a "Change of Control" means the acquisition (including by merger or consolidation, or by the issuance by the Company of its securities) by one or more persons in one transaction or a series of related transactions, of more than fifty percent (50%) of the voting power represented by the outstanding stock of the Company on the date hereof or a sale of substantially all of the assets of the Company. For these purposes, "Person" means an individual, partnership, corporation, joint venture, association, trust, unincorporated association, other entity or association."

4. Termination Letter. The Agreement shall be amended to provide for the requirement that Employee sign the Company's standard form termination letter as a condition to receiving severance and benefits continuation in the event of a termination for absenteeism and in the event of a Change in Control and that , to be effective, the termination letters must not be revoked. Accordingly, the phrase "and provided Employee signs Company's standard form termination letter as provided for in Section 9.8 below" is hereby added to the second sentence of Sections 9.1 (b), 9.4(b), 9.5(b) and 9.7(b) after the words "In addition," and to the second sentence of Section 9.6(a) after the words "In addition, (i)". Further, a new Section 9.8 is hereby added to read as follows:

"As a condition precedent to the Company's payment of severance and continuation of medical and dental insurance coverage pursuant to Sections 9.1, 9.4, 9.5, 9.6 and 9.7 herein, Employee must sign and deliver to Company Company's termination letter (without revocation to the extent such right is provided) which includes a broad-based employment release, an obligation to return Company property and a reiteration of Employee's confidentiality obligations, within the time frame specified in the termination letter."

5. Covenant Not to Compete. The covenants contained in Sections 8(a) and 8(b) shall be deemed only to apply to activities that are "directly competitive" with the Company's Business. An activity shall be deemed "directly competitive" when there is a reasonable likelihood based on Employee's actual possession (whether or not in tangible form) of technical trade secrets or confidential information that the activity prohibited would result in the use of technical trade secrets or other highly confidential information of the Company's or its business associates.

6. Entire Agreement. Section 15 of the Agreement is hereby amended to add the following at the end of the first sentence: "excepting the non-disclosure agreement and the Statement of Ethics signed by Employee at the commencement of Employee's employment with the Company, various forms related to the commencement of Employee's employment with the Company and Employee's participation in employee benefit plans offered by the Company (including, without limitation, option and restricted stock agreements), and agreements to be bound by Company policies to the extent that these other agreements do not conflict with the terms of this Agreement.

7. Force and Effect. Nothing contained herein or in the Agreement shall be construed to alter Employee's status as an employee-at-will. Except as amended and modified herein, the Agreement shall continue in full force and effect.

INTENDING TO BE LEGALLY BOUND, the parties have executed this Amendment as of the 6th day of April, 2000.

INTERDIGITAL COMMUNICATIONS CORPORATION

By: /s/ William J. Merritt

/s/ Howard E. Goldberg

HOWARD E. GOLDBERG

INTERDIGITAL COMMUNICATIONS CORPORATION

**1997 STOCK OPTION PLAN
FOR
NON-EMPLOYEE DIRECTORS**

INTERDIGITAL COMMUNICATIONS CORPORATION

1997 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS

Section 1. Purposes.

The purposes of the Plan are (a) to maintain the competitive position of the Company by attracting and retaining directors, and (b) to provide incentive compensation to directors based upon the Company's performance, as measured by the appreciation in the Common Stock. The Options awarded pursuant to the Plan are intended to constitute non-qualified stock options.

Section 2. Definitions.

(a) "Adjusted Fair Market Value" shall mean, in the event of a Change of Control, the greater of (1) highest price per share of Common Stock paid or payable to holders of the Common Stock in any transaction (or series of transactions) constituting or resulting (or as to which approval by shareholders of the Company constitutes or results) in the Change of Control, or (2) the highest Fair Market Value of a share of Common Stock on any business day during the ninety (90) day period ending on the date of the Change of Control.

(b) "Award" shall mean a grant of an Option to a director pursuant to the provisions of the Plan.

(c) "Board" shall mean the Board of Directors of the Company, as constituted from time to time, or the Compensation and Stock Option Committee, or any committee of the Board performing similar functions.

(d) "Change of Control" shall mean the happening of any of the following:

(i) the acquisition in one or more transactions by any "Person" (as the term person is used for purposes of Sections 13(d) or 14(d) of the Exchange Act) of "Beneficial Ownership" (as the term beneficial ownership is used for purposes of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of the combined voting power of the Company's then outstanding voting securities (the "Voting Securities"), provided that for purposes of this paragraph, Voting Securities acquired directly from the Company by any Person shall be excluded from the determination of such Person's Beneficial Ownership of Voting Securities (but such Voting Securities shall be included in the calculation of the total number of Voting Securities then outstanding); or

(ii) approval by shareholders of the Company of (A) a merger, reorganization or consolidation involving the Company if the shareholders of the Company immediately before such merger, reorganization or consolidation do not or will not own directly or indirectly immediately following such merger, reorganization or consolidation, more than fifty percent (50%) of the combined voting power of the outstanding voting securities of the corporation

resulting from or surviving such merger, reorganization or consolidation in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, reorganization or consolidation or (B) (1) a complete liquidation or dissolution of the Company or (2) an agreement for the sale or other disposition of all or substantially all of the assets of the Company; or

(iii) acceptance by shareholders of the Company of shares in a share exchange if the shareholders of the Company immediately before such share exchange do not or will not own directly or indirectly immediately following such share exchange more than fifty percent (50%) of the combined voting power of the outstanding voting securities of the corporation resulting from or surviving such share exchange in substantially the same proportion as the ownership of the Voting Securities outstanding immediately before such share exchange.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(f) "Common Stock" shall mean common stock of the Company, \$.01 par value per share.

(g) "Company" shall mean InterDigital Communications Corporation, a Pennsylvania corporation.

(h) "Effective Date" shall mean September 4, 1997.

(i) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

(j) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(k) "Fair Market Value" shall mean the fair market value of a share of Common Stock, as determined pursuant to Section 10 hereof.

(l) "Grant Date" shall mean the date on which an Option is granted.

(m) "Non-Employee Director" shall have the meaning set forth in Rule 16b-3(b)(3)(i) promulgated by the Securities and Exchange Commission under the Exchange Act, or any successor definition adopted by the Securities and Exchange Commission; provided, however, that the Board may, in its sole discretion, determine from time to time whether the rules and regulations under Section 162(m) of the Code shall apply for purposes of determining which individuals are "Non-Employee Directors".

(n) "Option" shall mean a non-qualified stock option to purchase Shares that is Awarded pursuant to the Plan.

(o) "Option Agreement" shall mean a written agreement in such form as the President of the Company (subject to the terms and conditions of this Plan) may from time to time approve evidencing and reflecting the terms of an Option.

(p) "Option Cancellation Date" shall mean, as to each Option, the first business day after the later of: (i) in the event of a Change of Control as defined in Section 2(d)(ii)(A) or Section 2(d)(ii)(B)(2), the date on which the transaction approved by shareholders of the Company (as provided in Section 2(d)(ii)) is consummated; and (ii) in the event of a Change of Control as defined in Section 2(d)(i) or Section 2(d)(iii), the expiration of a period of sixty (60) days after the occurrence of such event.

(q) "Optionee" shall mean the holder of an Option.

(r) "Plan" shall mean this 1997 Stock Option Plan for Non-Employee Directors, as amended from time to time.

(s) "Pool" shall mean the pool of shares of Common Stock subject to the Plan, as described and set forth in Section 4 hereof.

(t) "Securities Act" shall mean the Securities Act of 1933, as amended.

(u) "Shares" shall mean shares of Common Stock contained in the Pool, as adjusted in accordance with Section 11 of the Plan.

(v) "Term Year" shall mean the period between one Annual Meeting of Shareholders of the Company and the next Annual Meeting of Shareholders of the Company.

(w) "Vest" and its correlative terms "vested " and "vesting " mean the right to exercise an Option on or after the time provided in Section 7 of the Plan, or as otherwise provided in the Plan or an Option Agreement.

Section 3. Administration.

(a) General. The Plan shall be administered by the Board. Subject to the provisions of the Plan, the Board shall have the authority, in its discretion:

(i) to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable;

(ii) to interpret the terms and provisions of the Plan and any Award issued under the Plan (and any agreements relating thereto); (iii) to determine or modify the terms and conditions, not inconsistent with the terms of the Plan, of any Option granted hereunder, including but not limited to, the share price and any restriction or limitation, any vesting provisions, or any vesting acceleration or forfeiture waiver regarding any Option, or the length of the period following termination of service of any Optionee during which any Option may be exercised, based on such factors as the Board shall determine in its sole discretion; (iv) to amend the terms of any agreement relating to any Award issued under the Plan; (v) to authorize any person to execute on behalf of the Company any instrument required to effectuate the Award of an Option previously Awarded or to take such other actions as may be necessary or appropriate with respect to the Company's rights pursuant to Options or agreements relating to the Award or exercise thereof; and (vi) to make such other determinations and establish such other procedures

as it deems necessary or advisable for the administration of the Plan. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any award granted in the manner and to the extent it shall deem necessary to carry out the intent of the Plan.

(b) Effect of Board Decisions. All decisions, determinations and interpretations of the Board shall be final and binding on all persons, including the Company and Optionees.

(c) Limitation of Liability. Notwithstanding anything herein to the contrary, no member of the Board shall be liable for any good faith determination, act or failure to act in connection with the Plan or any Option Awarded hereunder.

Section 4. Stock Subject to the Plan.

Subject to the provisions of Section 11 of the Plan, the maximum aggregate number of Shares which may be Awarded and sold under the Plan is One Million Five Hundred Thousand (1,500,000) Shares (collectively, the "Pool"). If an Option should expire or become unexercisable for any reason without having been exercised in full, the unpurchased Shares which were subject thereto shall, unless the Plan shall have been terminated, return to the Plan and become available for future Award under the Plan.

Section 5. Participation.

Only Non-Employee Directors may be awarded Options under the Plan.

Section 6. Awards.

(a) Automatic Grants. As the conclusion of the Company's Annual Meeting of Shareholders in each year beginning in 2000, each Non-Employee Director who is elected at such meeting to serve as a director of the Company shall receive an Option to purchase a number of shares of Common Stock equal to 10,000 multiplied by the number of Term Years such Non-Employee Director has been elected to serve as a director of the Company; provided that a person elected or appointed to serve as a Non-Employee Director for a period less than a full Term Years as a director shall receive an Option to purchase a number of shares of Common Stock calculated on a pro rata basis based on such person's term as a director.

(b) Discretionary Grants. Options shall be granted to such Non-Employee Directors as may be selected upon such terms and in such amounts as may be determined from time to time by the Board as set forth herein, all in its sole discretion.

(c) Exercise Price. The exercise price of all Options shall be the Fair Market Value on the Grant Date or the Grant Date, as the case may be, of such Options, and the term of all Options shall be 10 years.

Section 7. Terms and Conditions of Options/Vesting.

- (a) Option Agreement. Each Option Awarded pursuant to the Plan shall be evidenced by an Option Agreement in such form as the President of the Company may from time to time determine. Each Option Agreement shall incorporate by reference all terms and conditions of the Plan.
- (b) Vesting - Automatic Grants. Options Awarded pursuant to Section 6(a) of the Plan shall Vest annually on the date of the Annual Meeting of Shareholders of the Company with respect to 10,000 shares of Common Stock per year (or lesser pro-rata amount as to any Term Year in which a director receives a lesser pro-rata share) commencing on the date of the Annual Meeting of Shareholders following the Annual Meeting of Shareholders at which the Options were granted (or the date of the Annual Meeting of Shareholders following the date of grant), provided that the Non-Employee Director has served during the year (or pro-rata period) preceding such date, including as a member and/or chair of such committees of the Board as the Board shall determine.
- (c) Vesting - Discretionary Grants. Option Awards pursuant to Section 6(b) of the Plan shall Vest in accordance with such vesting schedule as the Board shall determine. In the absence of a Board determination as to vesting, such Option Awards shall vest immediately upon grant.
- (d) Cessation of Service. An Option shall not Vest with respect to any additional shares of Common Stock not yet vested following the Optionee's cessation of service as a director.

Section 8 Exercise of Options.

- (a) Exercisability. To the extent then Vested, Options shall be exercisable in full or in part from and after their respective Grant Dates. No Option may be exercised at any time after the 10th anniversary of the date of its Award.
- (b) Manner of Exercise. An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company at its principal executive office in accordance with the terms of the Option Agreement by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company, accompanied by any other documents required by the terms of the Plan and/or Option Agreement. Full payment may consist of any consideration and method of payment allowable under Section 9 of the Plan.
- (c) Delivery of Shares. As soon as practicable after any proper exercise of an Option in accordance with the provisions of the Plan, the Company shall, without transfer or issue tax to the Optionee, deliver to the Optionee at the principal executive office of the Company or such other place as shall be mutually agreed upon between the Company and the Optionee, a certificate or certificates representing the Shares for which the Option shall have been exercised. The time of issuance and delivery of the certificate(s) representing the Shares for which the Option shall have been exercised may be postponed by the Company for such period as may be required by the

Company, with reasonable diligence, to comply with any applicable listing requirements of any national or regional securities exchange or any law or regulation applicable to the issuance or delivery of such Shares.

(d) Effect on Plan. Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for Award under the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

Section 9 Form of Payment.

Subject to Section 20 hereof, the consideration to be paid for the Shares to be issued upon the exercise of the Option may be paid to the Company (i) in cash or certified funds, (ii) by delivery to the Company of Shares having a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares to which said Option shall be exercised, (iii) by means of a brokers' cashless exercise procedure, or (iv) any combination of such methods of payment. Where payment of the Option Price is to be made with shares acquired under any compensation plan of the Company, such shares will not be accepted as payment unless the Optionee has acquired the shares at least six (6) months prior to such payment.

Section 10 Determination of Fair Market Value of Common Stock.

(a) Except to the extent otherwise provided in this Section 10, the Fair Market Value of a share of Common Stock shall be determined by the Board in its sole discretion.

(b) In the event Shares are listed on the American Stock Exchange or any other national or regional securities exchange or traded on the Nasdaq Stock Market ("Nasdaq") the Fair Market Value of a share of Common Stock shall be the closing price of a share of Common Stock on the exchange or on Nasdaq, as reported in The Wall Street Journal on the relevant valuation date, or if there is no trading on that date, on the next preceding trading date. In the event that Shares are traded in the over-the-counter market, the Fair Market Value of a share of Common Stock shall be the mean of the bid and asked prices for a share of Common Stock on the relevant valuation date as reported in The Wall Street Journal (or, if not so reported, as otherwise reported by the National Quotation Bureau, Inc.) as applicable or, if there is no trading on such date, on the next preceding trading date.

Section 11 Adjustments.

(a) Stock Splits, Etc. Subject to required action by the shareholders, if any, the number of Shares as to which Options may be Awarded under the Plan and the number of Shares subject to outstanding Options and the option prices thereof shall be adjusted proportionately for any increase or decrease in the number of outstanding shares of Common Stock of the Company resulting from stock splits, reverse stock splits, stock dividends, reclassifications and recapitalizations.

(b) Fractional Shares. No fractional Shares shall be issuable on account of any action aforesaid, and the aggregate number of Shares into which Shares then covered by the Option, when changed as the result of such action, shall be reduced to the number of whole Shares resulting from such action, unless the Board, in its sole discretion, shall determine to issue scrip certificates in respect of any fractional Shares, which scrip certificates, in such event, shall be in a form and have such terms and conditions as the Board in its discretion shall prescribe.

Section 12. Rights as a Shareholder.

The Optionee shall have no rights as a shareholder of the Company and shall not have the right to vote or receive dividends with respect to any Shares subject to an Option until such Option has been exercised and a certificate with respect to the Shares purchased upon such exercise has been issued to him.

Section 13. Purchase for Investment and Other Restrictions.

At the option of the Board, the issuance of Shares on the exercise of an Option may be conditioned on receipt by the Company of such appropriate representations and warranties of the Optionee, including a representation and warranty that the purchase of Shares or the exercise of an Option shall be for investment, and not with a view to the public resale or distribution thereof, unless the Shares subject to the Option are registered under the Securities Act and the transfer or sale of such Shares complies with all other laws, rules and regulations applicable thereto. Unless the Shares subject to the Option are registered under the Securities Act, the Optionee shall acknowledge that the Shares purchased on exercise of the Option are not registered under the Securities Act and may not be sold or otherwise transferred unless the Shares have been registered under the Securities Act in connection with the sale or other transfer thereof, or that counsel satisfactory to the Company has issued an opinion satisfactory to the Company that the sale or other transfer of such Shares is exempt from registration under the Securities Act, and unless said sale or transfer is in compliance with all other applicable laws, rules and regulations, including all applicable federal and state securities laws, rules and regulations. Unless the Shares issued or issuable upon the exercise of an Option are registered under the Securities Act, the certificates representing the Shares shall contain the following legend in substantially the following form:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS. THESE SHARES HAVE NOT BEEN ACQUIRED WITH A VIEW TO DISTRIBUTION OR RESALE, AND MAY NOT BE SOLD, ASSIGNED, EXCHANGED, MORTGAGED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED OR DISPOSED OF, BY GIFT OR OTHERWISE, OR IN ANY WAY ENCUMBERED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH SHARES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND ANY APPLICABLE STATE SECURITIES LAWS, OR

A SATISFACTORY OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT AND UNDER APPLICABLE STATE SECURITIES LAWS.

Section 14. Transferability.

No Option shall be assignable or transferable otherwise than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of ERISA, as amended, except as otherwise permitted by the Board. During the lifetime of the Optionee, his Options shall be exercisable only by him, or, in the event of his legal incapacity or illness, by his legal guardian or representative, except as otherwise permitted by the Board.

Section 15. Change of Control.

Upon a Change of Control all Options outstanding on the date of such Change of Control shall become immediately and fully Vested and exercisable. In the event of a Change of Control as defined in Section 2(d)(i), Section 2(d)(ii)(A), Section 2(d)(ii) (B)(2) or Section 2(d)(iii), all Options outstanding on the Option Cancellation Date which are not exercised on or before the Option Cancellation Date shall be canceled on such date by the Company, and the Company shall on such date pay to each Optionee of a canceled Option, to the extent then Vested, a cash amount equal to the excess, if any, in respect of each Option canceled, of (i) the Adjusted Fair Market Value of the Common Stock subject to the Option over (ii) the aggregate purchase price for such shares of Common Stock.

Section 16. Amendment of the Plan.

The Board may from time to time suspend, terminate or discontinue the Plan or revise or amend it in any respect.

Section 17. Application of Funds.

The proceeds received by the Company from the sale of Shares pursuant to the exercise of Options shall be used for general corporate purposes.

Section 18. Conditions Upon Issuance of Shares.

Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange

upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

Section 19. Reservation of Shares.

The Company, during the term of this Plan, shall at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

Section 20. Taxes, Fees, Expenses and Withholding of Taxes.

(a) **Transfer Taxes.** The Company shall pay all original issue and transfer taxes (but not income taxes, if any) with respect to the Award of Options and/or the issue and transfer of Shares pursuant to the exercise thereof, and all other fees and expenses necessarily incurred by the Company in connection therewith, and will from time to time use its best efforts to comply with all laws and regulations which, in the opinion of counsel for the Company, shall be applicable thereto.

(b) **Withholding Right.** The Award of Options hereunder and the issuance of Shares pursuant to the exercise thereof is conditioned upon the Company's reservation of the right to withhold in accordance with any applicable law, from any compensation or other amounts payable to the Optionee, any taxes required to be withheld under federal, state or local law as a result of the Award or exercise of such Option or the sale of the Shares issued upon exercise thereof. The Company may, in its sole discretion, require the Optionee (or such other person entitled herein to exercise the Option), as a condition of the exercise of an Option, to pay in cash to the Company an amount sufficient to cover such tax liability or otherwise to make adequate provision for the Company's satisfaction of its withholding obligations under federal, state and local law.

Section 21. Notices.

Any notice to be given to the Company pursuant to the provisions of the Plan shall be addressed to the Company in care of its Secretary (or such other person as the Company may designate from time to time) at its principal executive office, and any notice to be given to an Optionee shall be delivered personally or addressed to him at the address given beneath his signature on his Option Agreement, or at such other address as such Optionee or his permitted transferee (upon the transfer of the Shares) may hereafter designate in writing to the Company. Any such notice shall be deemed duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered or certified, and deposited, postage and registry or certification fee prepaid, in a post office or branch post office regularly maintained by the United States Postal Service. It shall be the obligation of each Optionee and each permitted transferee holding Shares purchased upon exercise of an Option to provide the Secretary of the Company, by letter mailed as provided herein, with written notice of his direct mailing address.

Section 22. No Enlargement of Rights.

The Plan is purely voluntary on the part of the Company, and the continuance of the Plan shall not be deemed to constitute a contract between the Company and any director for the continuation of his service as a director. Nothing contained in the Plan shall be deemed to give any director the right to be retained in the service of the Company. Upon the Award of an Option to a director, he shall have only such rights and interests as are expressly provided herein, subject, however, to all applicable provisions of the Company's Certificate of Incorporation, as the same may be amended from time to time.

Section 23. Invalid Provisions.

In the event that any provision of the Plan is found to be invalid or otherwise unenforceable under any applicable law, such invalidity or unenforceability shall not be construed as rendering any other provisions contained herein as invalid or unenforceable, and all such other provisions shall be given full force and effect to the same extent as though the invalid or unenforceable provision was not contained herein.

Section 24. Termination.

No Option may be awarded under the Plan at any time after the date that is ten years after the Effective Date; however, the Plan shall not be deemed to have terminated until all Options have either expired, been exercised or have otherwise terminated.

Section 25. Applicable Law.

The Plan shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

Amended by action of the Board of Directors on the 30th day of March, 2000.

INTERDIGITAL COMMUNICATIONS CORPORATION

/s/ Jane S. Schultz

Jane S. Schultz, Assistant Secretary

INTERDIGITAL COMMUNICATIONS CORPORATION
1999 RESTRICTED STOCK PLAN

(Amended April 13, 2000)

1. PURPOSE

The purpose of the Plan is to promote the ability of InterDigital Communications Corporation (the "Company") to recruit and retain key employees, directors, consultants and advisors, and enhance the growth, profitability and shareholder value of the Company by providing the incentive of long-term awards for continued service and the attainment of performance objectives.

2. DEFINITIONS

(a) "Affiliate" means, with respect to any Person, any other person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, the term "control," including its correlative terms "controlled by" and "under common control with," mean, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

(b) "Award" means an award of Restricted Stock or Restricted Stock Units granted under the Plan.

(c) "Award Agreement" means a written agreement evidencing and reflecting the terms of an Award.

(d) "Board" means the Board of Directors of the Company.

(e) "Change of Control" shall mean the happening of any of the following:

(i) the acquisition in one or more transactions by any "Person" (as the term person is used for purposes of Sections 13(d) or 14(d) of the Exchange Act) of "Beneficial Ownership" (as the term beneficial ownership is used for purposes of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of the combined voting power of the Company's then outstanding voting securities (the "Voting Securities"), provided that for purposes of this paragraph, Voting Securities acquired directly from the Company by any Person shall be excluded from the determination of such Person's Beneficial Ownership of Voting Securities (but such Voting Securities shall be included in the calculation of the total number of Voting Securities then outstanding); or

(ii) approval by shareholders of the Company of (A) a merger, reorganization or consolidation involving the Company if the shareholders of the Company immediately before such merger, reorganization or consolidation do not or will not own directly or indirectly immediately following such merger, reorganization or consolidation, more than fifty percent (50%) of the combined voting power of the outstanding voting securities of the corporation resulting from or surviving such merger, reorganization or consolidation in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, reorganization or consolidation or (B) (1) a complete liquidation or dissolution of the Company or (2) an agreement for the sale or other disposition of all or substantially all of the assets of the Company; or

(iii) acceptance by shareholders of the Company of shares in a share exchange if the shareholders of the Company immediately before such share exchange do not or will not own directly or indirectly immediately following such share exchange more than fifty percent (50%) of the combined voting power of the outstanding voting securities of the corporation resulting from or surviving such share exchange in substantially the same proportion as the ownership of the Voting Securities outstanding immediately before such share exchange.

(f) "Committee" means the Compensation & Stock Option Committee of the Board.

(g) "Company" means InterDigital Communications Corporation, a Pennsylvania corporation, including any successor thereto by merger, consolidation, acquisition of all or substantially all the assets thereof, or otherwise.

(h) "Date of Grant" means the date on which an Award is granted.

(i) "Eligible Person" means an employee of a Participating Company, or a director of, or consultant or advisor to a Participating Company as determined by the Committee.

(j) "Grantee" means an Eligible Person who is granted an Award.

(k) "Gross-Up Amount" means the quotient obtained by the following formula:

$$\text{Taxable Income Gross-Up Amount} = \frac{\text{Taxable Income}}{1 - \text{Tax Rate}}$$

(i) "Taxable Income" is the amount that is includible in the Grantee's taxable income for federal, state and local tax purposes, as applicable, as the result of the grant or lapse of forfeiture conditions on an Award or other circumstances triggering the imposition of taxation, and

- (ii) "Tax Rate" is the highest marginal federal, state and local tax rates.
- (l) "Participating Company" means the Company and each of the Subsidiary Companies.
- (m) "Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization.
- (n) "Plan" means the InterDigital Communications Corporation 1999 Restricted Stock Plan, as set forth herein, and as amended from time to time.
- (o) "Restricted Stock" means Shares subject to restrictions as set forth in an Award.
- (p) "Restricted Stock Units" means a promise to pay Shares at some specified time in the future.
- (q) "Share" or "Shares" means a share or shares of Common Stock, \$.01 par value, of the Company.
- (r) "Subsidiary Companies" means any Affiliate that is controlled by the Company.
- (s) "Terminating Event" means either the liquidation of the Company or a Change in Control.
- (t) "Third Party" means any Person, together with such Person's Affiliates, provided that the term "Third Party" shall not include the Company or an Affiliate of the Company
- (u) "1933 Act" means the Securities Act of 1933, as amended.
- (v) "1934 Act" means the Securities Exchange Act of 1934, as amended.

3. RIGHTS TO BE GRANTED

Rights that may be granted under the Plan are rights to (i) Restricted Stock, which gives the Grantee ownership rights in the Shares subject to the Award, and (ii) Restricted Stock Units, which Shares and Restricted Stock Units may be subject to a substantial risk of forfeiture or other restrictions on transferability, as set forth in Paragraph 7. Each Award granted pursuant to the Plan shall be evidenced by an Award Agreement in such form as the General Counsel of the Company (subject to the terms of the Plan) may from time to time determine. Each Award Agreement shall incorporate by reference all terms and conditions of the Plan.

4. SHARES SUBJECT TO THE PLAN

Not more than 3,500,000 Shares in the aggregate may be issued under the Plan pursuant to the grant of Awards, subject to adjustment in accordance with Paragraph 9; provided, however, that during any calendar year not more than five percent (5%) of the outstanding Shares may be subject to Awards under the Plan. The Shares issued under the Plan may, at the Company's option, be either Shares held in treasury or Shares originally issued for such purpose. If Restricted Stock or Restricted Stock Units are forfeited pursuant to the terms of an Award, other Awards with respect to such Shares may be granted.

5. ADMINISTRATION OF THE PLAN

(a) Administration. The Plan shall be administered by the Committee.

(b) Grants. Subject to the express terms and conditions set forth in the Plan, the Committee shall have the power, from time to time, to:

(i) select those Eligible Persons to whom Awards shall be granted under the Plan, determine the number of Shares to be granted pursuant to each Award, and, pursuant to the provisions of the Plan (as well as any other Company plan relating to such Award), to determine or modify the terms and conditions of each Award, including the restrictions applicable to such Shares, based on such factors as the Committee shall determine in its sole discretion;

(ii) interpret the Plan's provisions, prescribe, amend and rescind rules and regulations for the Plan, and make all other determinations necessary or advisable for the administration of the Plan; and

(iii) amend the terms of any agreement relating to any Award issued under the Plan; provided that no Award shall be materially adversely affected by any such amendment without the written consent of the Grantee.

The determination of the Committee in all matters as stated above shall be conclusive.

(c) Meetings. In its capacity as administrator of the Plan, the Committee shall hold meetings at such times and places as it may determine. Acts approved at a meeting by a majority of the members of the Committee or acts approved in writing by the unanimous consent of the members of the Committee shall be the valid acts of the Committee.

(d) Exculpation. No member of the Committee shall be personally liable for monetary damages for any action taken or any failure to take any action in connection with the administration of the Plan or the granting of Awards thereunder.

(e) Indemnification. Each member of the Committee shall be entitled without further act on his part to indemnity from the Company to the fullest extent provided by applicable law and the Company's Articles of Incorporation and By-laws in connection with or arising out of any action, suit or proceeding with respect to the administration of the Plan or the granting of Awards thereunder in which he may be involved by reason of his being or having been a member of the Committee, whether or not he continues to be such member of the Committee at the time of the action, suit or proceeding.

6. ELIGIBILITY

Awards may be granted only to Eligible Persons, as determined by the Committee.

7. RESTRICTED STOCK AWARDS

The Committee may grant Awards in accordance with the Plan. The terms and conditions of Awards shall be set forth in writing as determined from time to time by the Committee, consistent, however, with the following:

(a) Time of Grant. All Awards shall be granted within ten (10) years from the date of adoption of the Plan by the Board.

(b) Shares Awarded. The provisions of Awards need not be the same with respect to each Grantee. No cash or other consideration shall be required to be paid by the Grantee in exchange for an Award.

(c) Awards and Certificates. A certificate may be issued to each Grantee in respect of Shares subject to a Restricted Stock Award. Such certificate shall be registered in the name of the Grantee and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Award. The Company may require that the certificate evidencing such Restricted Stock be held by the Company until all restrictions on such Restricted Stock have lapsed. In the absence of a determination by the Committee at the time of grant, Shares bearing forfeiture conditions shall be so held by the Company and Shares without forfeiture conditions shall not be so held.

(d) Restrictions. Subject to the provisions of the Plan and the Award, during a period set by the Committee commencing with the Date of Grant, the Grantee shall not be permitted to sell, transfer, pledge or assign the Restricted Stock or Restricted Stock Units awarded under the Plan except by will or by the laws of descent and distribution.

(e) Lapse of Restrictions. Subject to the provisions of the Plan and the Award, restrictions upon Shares subject to an Award shall lapse and Restricted Stock Units shall vest at such time or times and on such terms and conditions as the Committee may determine and as are set forth in the Award. The Award may provide for the lapse of restrictions or vesting in installments, as determined by the Committee. The Committee may, in its sole discretion, waive, in whole or in part, any remaining restrictions or vesting conditions with respect to such Grantee's Restricted Stock.

(f) Rights of the Grantee. Grantees may have such rights with respect to Restricted Stock or Restricted Stock Units subject to an Award as may be determined by the Committee and set forth in the Award. In the absence of restrictions imposed by the Committee, the Grantee shall be a stockholder with respect to all Restricted Stock and shall have all the rights of a stockholder with respect to the Restricted Stock, including the right to vote such Shares and to receive all dividends and other distributions paid with respect to such Shares. In the absence of a determination imposed by the Committee, the Grantee shall have the right to receive dividend equivalents with respect to Shares represented by Restricted Stock Units, but shall not have a right to vote or receive dividends and other distributions.

(g) Termination of Grantee's Employment. The transfer of employment of an Eligible Person between Participating Companies shall not be deemed a termination of employment. In the event that a Grantee terminates employment with all Participating Companies, then, except as otherwise provided pursuant to the provisions of an Award or as otherwise determined by the Committee, all Shares remaining subject to restrictions and unvested Restricted Stock Units shall be forfeited by the Grantee, canceled by the Company and the Shares represented thereby held in the Company's Treasury.

(h) Delivery of Shares. When the restrictions imposed on Restricted Stock lapse or Restricted Stock Units vest with respect to one or more Shares, the Company shall notify the Grantee that such restrictions no longer apply, and shall deliver to the Grantee (or the person to whom ownership rights may have passed by will or the laws of descent and distribution) a certificate for the number of Shares for which restrictions have lapsed or which have vested without any legend or restrictions (except those that may be imposed by the Committee, in its sole judgment, under Paragraph 8(a)). The right to payment of any fractional Shares that may have accrued shall be satisfied in cash, measured by the product of the fractional amount times the fair market value of a Share at the time the applicable restrictions lapse, as determined by the Committee.

(i) Tax Gross-Up Payments. The Committee may in its discretion provide that in connection with the grant of any Award, the lapse of any forfeiture condition, conversion of Restricted Stock Units to Shares, or any other circumstance resulting in the imposition of taxation, the Company shall pay cash bonuses to the Grantee (or the person to whom ownership

rights may have passed by will or the laws of descent and distribution) in an aggregate amount not to exceed the Gross-Up Amount minus the Taxable Income. In the absence of a determination by the Committee at the time of grant, the Company shall pay the aforesaid tax gross up payment on Restricted Stock Awards in an aggregate amount equal to the Gross-Up Amount minus the Taxable Income. The Committee may, in its discretion, further provide that, in the event of a Change in Control, the amount payable under this Section shall include an additional amount sufficient to indemnify the Grantee (or such other person to whom ownership rights may have passed by will or the laws of descent and distribution) for the amount of any excise tax under Section 4999 of the Internal Revenue Code, or any successor provision ("Section 4999"), on the "excess parachute payment" under Section 280G of the Internal Revenue Code, or any successor provision, to such Grantee or other person along with the amount of any applicable income tax on the total amount of such gross up payment, so that the Grantee or such other person will receive, net after all income taxes, the full value of the Award after the Grantee has paid any income taxes and any excise taxes due under Section 4999 of the Code on the "excess parachute payment" and any excise tax under Section 4999.

8. SECURITIES LAWS; TAXES

(a) Securities Laws. The Committee shall have the power to make each grant of Awards under the Plan subject to such conditions as it deems necessary or appropriate to comply with the then-existing requirements of the 1933 Act and the 1934 Act. In the event the Shares deliverable in connection with the grant of an Award are not registered under the 1933 Act, such conditions may include the delivery by the Grantee of an investment representation to the Company in connection with the lapse of restrictions on Shares subject to an Award, or the execution of an agreement by the Grantee to refrain from selling or otherwise disposing of the Shares acquired for a specified period of time or on specified terms.

(b) Taxes. Subject to the rules of Paragraph 8(c), the Company shall be entitled, if necessary or desirable, to withhold the amount of any tax, charge or assessment attributable to the grant of any Award or lapse of restrictions under any Award. The Company shall not be required to deliver Shares pursuant to any Award until it has been indemnified to its satisfaction for any such tax, charge or assessment.

(c) Payment of Tax Liabilities; Election to Withhold Shares or Pay Cash to Satisfy Tax Liability. In connection with the grant of any Award or the lapse of restrictions under any Award, the Company shall have the right to (A) require the Grantee to remit to the Company an amount sufficient to satisfy any federal, state and/or local withholding tax requirements prior to the delivery or transfer of any certificate or certificates for Shares subject to such Award, or (B) take any action whatever that it deems necessary to protect its interests with respect to tax liabilities, including, but not limited to the Company's withholding a portion of the Shares subject to such Award having a fair market value approximately equal to the minimum amount of taxes required to be withheld by the Company under applicable law. The Company's obligation

to make any delivery or transfer of Shares shall be conditioned on the Grantee's compliance, to the Company's satisfaction, with any withholding requirement.

9. CHANGES IN CAPITALIZATION

In the event that Shares are changed into or exchanged for a different number or kind of shares of stock or other securities of the Company, whether through merger, consolidation, reorganization, recapitalization, stock dividend, stock split-up or other substitution of securities of the Company, the Board shall make appropriate equitable anti-dilution adjustments to the number and class of shares of stock available for issuance under the Plan, and subject to outstanding Awards. Any reference to the term "Shares" in the Plan and option agreements shall be a reference to the appropriate number and class of shares of stock available for issuance under the Plan, as adjusted pursuant to this Paragraph 9. The Board's adjustment shall be effective and binding for all purposes of this Plan. The adjustment provided for in this Paragraph 9 may require the Company to issue fractional shares, and the total adjustment with respect to the Plan shall be determined accordingly.

10. TERMINATING EVENTS

Immediately prior to and contingent upon the consummation of any Terminating Event, all Company imposed restrictions on Restricted Stock and Restricted Stock Units (other than Restricted Stock and Restricted Stock Units that have previously been forfeited) shall be eliminated.

11. AMENDMENT AND TERMINATION

The Plan may be amended by the Committee or the Company's Board of Directors at any time; provided, that no Award shall be adversely affected by any such termination or amendment without the written consent of the Grantee. No Awards may be made under the Plan at any time after the date that is ten years after the effective date of the Plan; provided, that the Plan shall not be deemed to have terminated until all Restricted Stock and Restricted Stock Units shall have either had applicable restrictions lapse or vest or have been forfeited or have otherwise been canceled.

12. EFFECTIVE DATE

The effective date of the Plan is October 14, 1999.

13. GOVERNING LAW

The Plan and all determinations made and actions taken pursuant to the Plan shall be governed by and construed in accordance with Pennsylvania law.

ARTICLE 5

MULTIPLIER: 1000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD END	JUN 30 2000
CASH	24,145
SECURITIES	69,145
RECEIVABLES	13,652
ALLOWANCES	74
INVENTORY	0
CURRENT ASSETS	118,620
PP&E	9,054
DEPRECIATION	17,308
TOTAL ASSETS	138,029
CURRENT LIABILITIES	16,641
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	5
COMMON	537
OTHER SE	91,284
TOTAL LIABILITY AND EQUITY	138,029
SALES	5,633
TOTAL REVENUES	25,476
CGS	5,201
TOTAL COSTS	5,201
OTHER EXPENSES	21,346
LOSS PROVISION	0
INTEREST EXPENSE	136
INCOME PRETAX	1,819
INCOME TAX	1,091
INCOME CONTINUING	660
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	(30,532)
NET INCOME	(29,872)
EPS BASIC	(.58)
EPS DILUTED	(.58)

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