ANNUAL REPORT 2016

NOTICE OF 2017 ANNUAL MEETING
AND PROXY STATEMENT

InterDigital, Inc.

TO OUR SHAREHOLDERS

A MESSAGE FROM OUR CHAIRMAN OF THE BOARD AND OUR CHIEF EXECUTIVE OFFICER

At InterDigital, we have successfully executed on a very simple strategy for the last three decades.

First, we develop fundamental technology for advanced wireless systems and contribute that technology to the industry through the standards process, which defines the specifications for each successive generation of mobile technology. Doing so successfully ensures our technology is used in 100% of the devices that are built to those standards.

Second, based on our success in making those contributions, we license our technology to the manufacturers of wireless devices that build products to those standards. Typically, in any year, our licensing activities will be focused on the standards that have already been deployed, like LTE today, while our research activities will be focused on technologies that will not be deployed for several years, like 5G.

Third, while principally focused on wireless technologies for standards, we will opportunistically invest in related technologies that leverage the depth and strength of our engineering teams. In 2016, we achieved landmark progress in all of these areas, and this was reflected by record revenues, net income and operating cash flow.

With respect to the generations of wireless technology that are in use today, we were able to carve a position among a handful of leaders in contributing solutions to industry standards. Those contributions are the foundation for our current licensing efforts, which in 2016 achieved unprecedented success. In the third quarter, we were able to finalize a multi-year license agreement with Huawei, the largest Chinese handset manufacturer – an agreement that, importantly, also included a framework for discussions regarding joint research and development efforts. Then, to close out the year, we signed a long-term licensing agreement with Apple.

As a result of these agreements and our existing licenses with Samsung, Sony and others, 2016 saw us recognize record revenues of $665.9 million and $430.7 million in net cash from operating activities. Beyond the financial impact, which is considerable, we also closed out the year with the world's top three handset manufacturers under multi-year licenses – a strong platform for additional licensing efforts.

We achieved tremendous progress in our work to build the next generation of technology, with a continued leadership role in the 5G standards process and some leading-edge demonstrations.

Our efforts as part of the H2020 5GPPP 5G-Crosshaul consortium saw us complete a successful extended, real-world outdoor trial of millimeter-wave backhaul technology, a key building block of 5G. That trial came on the heels of Crosshaul's first-of-its-kind integrated fronthaul/backhaul over millimeter wave proof of concept, and additional successes through the year were seen in demonstrations of mobile edge computing, 5G access, and next-generation networks. Early in 2017, the GSMA – the most prestigious organization in our industry – underlined our 5G leadership by inviting us to participate in a mainstage demonstration of future technologies at Mobile World Congress, our industry's signature event.

Beyond core wireless, our efforts to build a position in strong future technologies also include our work in the Internet of Things, or IoT. Our IoT Solutions group had a tremendous year, executing on some great proof-of-concept projects, including the oneTRANSPORT™ research initiative in the UK, working with consumer electronics leader Harman to offer a joint IoT solution to the market and, in early 2017, partnering with CA Technologies. Our solutions also continued to receive broad industry recognition, including an award at IoT

Solutions World Congress in September. In all, since 2014, our IoT solutions have won or been shortlisted for nine different industry awards – a huge achievement.

Licensing the connectivity technology that we've contributed to global standards is also a key part of IoT – after all, in order to join devices to the Internet of Things, they must first be connected – and many devices will be using the cellular technology we've helped drive. In 2016, we joined the Avanci IoT licensing platform, alongside industry leaders like Qualcomm, Ericsson and KPN, among others. Avanci is led by a very seasoned licensing team with a strong track record, and we think it's a great option for penetrating a market comprised of very new players like smart meter companies and auto manufacturers.

We're also working to expand our technology footprint in other areas, most notably through the acquisition of sensor technology leader Hillcrest Laboratories in late 2016. Hillcrest is a pioneer in this technology area, which has broad horizontal applications not just in its legacy business, Smart TV, but also in new areas like gaming, IoT and robotics, among others. With an impressive customer base and a very strong R&D team, we're happy to add them to the InterDigital family.

Finally, in 2016 we were able to strengthen our leadership team with the addition of two new Board members, Phil Trahanas and Jay Markley. Phil brings enormous expertise in broader technology, coupled with a great track record of investment success, and Jay contributes a very strong understanding of the wireless industry – while serving as a policy advisor at the Federal Communications Commission, he and his team were instrumental in defining the commercial spectrum auction process – and board experience with one of the nation's largest cable operators. With the addition of former Time Warner Cable executive Joan Gillman in April 2017, we can say with pride that shareholders' interests are represented by the strongest, most experienced Board in our company's history.

In 2016, InterDigital crossed a significant threshold, and closed the year with a market capitalization above $3 billion. As always, we thank you for your continued support as a shareholder. We remain committed to building on InterDigital's financial, technological and operational strength.

S. Douglas Hutcheson
Chairman of the Board

William J. Merritt
President and Chief Executive Officer

AT THE

FOREFRONT OF 5G

One of the hallmarks of 5G is that it will cover a much broader range of technologies and use cases than previous generations of wireless. Accordingly, our mobile technology development efforts in 2016 were engaged on a broad number of fronts.

In terms of access technology – the technology that connects a terminal unit to a network – InterDigital was able to demonstrate a working 5G access platform that incorporates advanced MIMO, very low latency, and hybrid analog/digital beam-forming technology. This sophisticated solution, showcased at Mobile World Congress in 2017, is a precursor for the handset and terminal unit technologies that will be pervasive in the 5G market.

But greater data speed capability is of limited use if the network isn't equipped to manage that traffic. In that regard, InterDigital achieved tremendous advances. The company's EdgeLink™ mesh technology saw continued innovation, and also formed the backbone for the company's participation in 5G-Crosshaul, a consortium driven by the European Commission's Horizon 2020 research initiative. In November, three of the consortium partners – InterDigital, alongside Fraunhofer's Heinrich Hertz Institute and Core Network Dynamics – announced the results of a successful, real-world trial carried out over one month and including a variety of weather conditions, as well as natural and induced link failure events, to test the system's robustness. The demonstration was the first of its kind, and the integrated fronthaul/backhaul approach is a precursor for future mobile architectures that will be based on commodity servers or even in the cloud – a major innovation.

InterDigital is also among the world leaders in defining future network topologies through technologies like Mobile Edge Computing (MEC). In September, InterDigital was selected by the European Telecommunications Standards Institute (ETSI) to present a MEC proof-of-concept for accelerated media streaming, alongside industry leaders like Intel, Nokia, Vodafone and Telecom Italia. The contribution by InterDigital and its partners, FLIPS (Flexible IP-based Services), was based on our work in two other Horizon 2020 research initiatives, and reinvents the approach to IP-based services through software-defined networking and network function virtualization.

Looking ahead to 2017, the pace of research efforts to define 5G has accelerated, driven by increased global operator demand for this new technology. Given the number of industries and technologies that this new connectivity is expected to revolutionize, the future looks bright to extend the company's presence in mobile as well as other industries that will be enabled by connectivity.

TOWARDS A FULLY

CONNECTED WORLD

In the not-so-distant future, if an object can produce data, it will be connected – period. InterDigital has been at the forefront of research into Internet of Things (IoT) connectivity as well as standardization efforts around services layer interoperability. Our contributions to IoT standards are seminal, and will help drive a technology segment that is expected to deliver enormous value.

Those research efforts led to the development of our own IoT middleware platforms, which underpin existing projects and are being marketed into important industry verticals through solid partnerships. Our horizontal standards-based IoT platform and integration framework are the glue that power projects like the oneTRANSPORT™ research initiative in the UK, and successful proofs-of-concept in the smart building, smart transportation, and energy and utilities industrial segments.

In 2016, the oneTRANSPORT™ initiative, which brings together a variety of partners in providing an intelligent transport infrastructure to the exurban areas north of London, continued to progress, adding Birmingham (the UK's second-largest city) to the initiative. The transportation solution was tested successfully at the British Grand Prix MotoGP™ motorcycle race at Silverstone Circuit in September 2016. InterDigital's path to market is through partnerships that enable complete industry solutions. In that regard, the company's IoT Solutions group made significant progress in 2016 and early 2017:

• In February 2016, InterDigital and Harman International, a technology company serving the automotive, consumer and enterprise markets, announced that they would be working together to develop a suite of oneM2MTM and 3GPP compliant IoT solutions for smart buildings.

• In July 2016, InterDigital announced a collaboration with Arup, a global consulting firm, whereby the two companies will work together on solutions in the smart cities and smart transportation verticals.

• In February 2017, the company announced a strategic technology partnership with CA Technologies, a leading software solution provider, to develop tailored enterprise-grade solutions for the energy and utilities and smart cities markets.

Our efforts have resulted in enormous recognition. In October, InterDigital won an IoT Solutions World Congress award for the role of our wot.io™ integration framework and

oneMPOWER™ platform in the oneTRANSPORT™ research initiative. Also in January 2017, the company won the prestigious Connected Transportation award from IoT Evolution magazine. That latest award marked the ninth time that InterDigital's IoT solutions have been nominated for a prestigious global IoT award.

DRIVING AHEAD IN

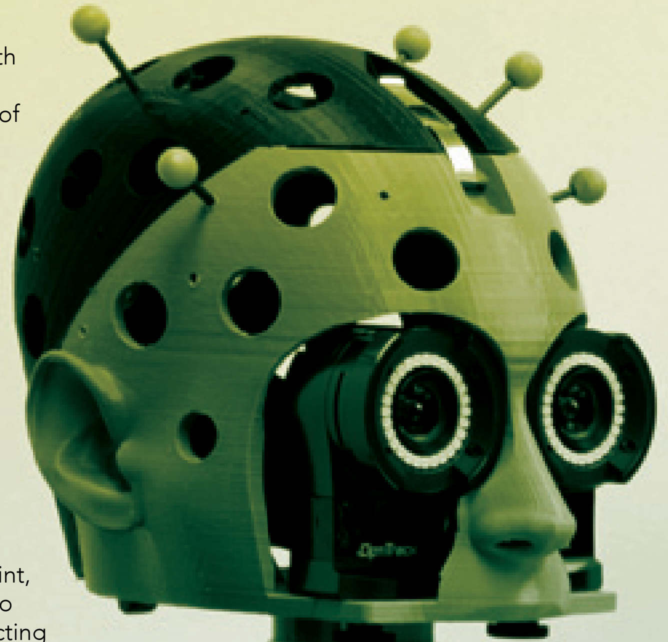
NEW AREAS

The technology industry – and especially the mobile technology industry – is seeing tremendous convergence. Mobile devices now carry with them a broad range of sensors, imaging and other technologies, and more and more devices, from drones to robots to usage meters, are incorporating wireless capability. Put simply, mobile technology is finding its way into more things, and more things are finding their way into mobile.

Faced with this, InterDigital continues to work to broaden its technology footprint in new and exciting areas. For instance, the company's Innovation Partners group continues to fund innovative new research, and InterDigital's collaboration with Florida's Institute for Human and Machine Cognition (IHMC) unveiled a contextual driving platform at Mobile World Congress in 2017 that highlighted technology designed to facilitate the coexistence of human- and self-driven vehicles on public roadways.

In December 2016, InterDigital took a more significant step forward with the acquisition of Hillcrest Laboratories, a developer of advanced sensor technology based in Rockville, Maryland. Initially focused on the Smart TV market, the company's sensor solutions are now finding their way into markets that intersect perfectly with the growth of mobile: gaming, robotics, IoT applications, and other areas.

InterDigital continues to work to broaden its footprint, including in areas like video delivery and security, reflecting the growing role mobile technology is playing in all our lives.

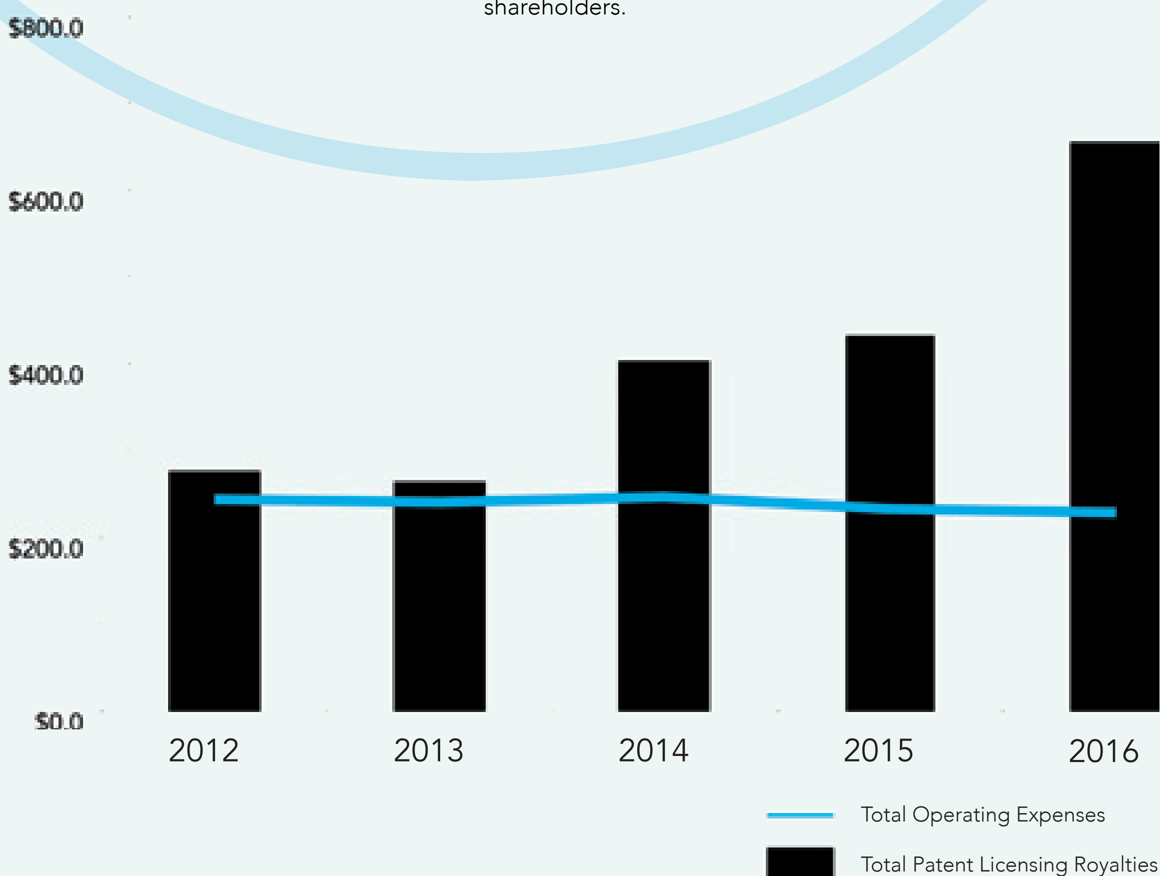


FINANCIAL HIGHLIGHTS

RECORD REVENUES, NET INCOME AND OPERATING CASH FLOW

2016 was a record year for InterDigital. Driven by new licensing agreements with Huawei and Apple, the company delivered record revenues of $665.9 million, almost entirely comprised of patent royalties.

Our continued strict management of operating expenses resulted in record net income – $8.78 per share on a fully diluted basis – and net cash provided by operations of $430.8 million. A very successful year for the company, our employees and stakeholders, and our shareholders.



(In millions, except per share data)	2012	2013	2014	2015	2016
Total Revenue	$663.1	$325.4	$415.8	$441.4	$665.9
Income From Operations	419.0	84.8	169.0	208.5	437.3
Net Income	271.8	35.7	101.4	116.4	305.5
Net Income Attributable to InterDigital, Inc.	271.8	38.2	104.3	119.2	309.0
Net Income Per Common Share - Diluted	6.26	0.92	2.62	3.27	8.78
Total Cash, Cash Equivalents and Short-Term Investments	577.3	698.5	703.9	933.7	952.8
Total Assets	1,052.4	1,110.3	1,193.0	1,474.5	1,727.9
Total InterDigital, Inc. Shareholder's Equity	518.7	528.7	468.3	510.5	739.7
Total Equity	518.7	533.8	475.7	521.9	754.4
Total Patent Licensing Royalties	**276.6**	**264.2**	**403.4**	**432.5**	**655.4**
Total Operating Expenses	**244.0**	**240.6**	**246.9**	**232.9**	**228.5**

FORWARD-LOOKING STATEMENTS

Statements made in the letter to shareholders and in the introduction to this annual report that relate to our future plans, events, financial results or performance, including, without limitation, statements relating to our beliefs regarding the development and impact of our technologies, our plans to extend the company's presence in mobile as well as other industries that will be enabled by connectivity, our belief that the IoT technology segment is expected to deliver enormous value and our plans to continue to broaden our technology footprint, are forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These statements are based upon current goals, estimates, information, and expectations.

Actual results might differ materially from those anticipated as a result of certain risks and uncertainties, including delays, difficulties, changed strategies, or unanticipated factors affecting the implementation of the company's plans. You should carefully consider the risks and uncertainties outlined in greater detail in the accompanying Form 10-K, including "Item 1A. Risk Factors," before making any investment decision with respect to our common stock. We undertake no obligation to revise or publicly update any forward-looking statement for any reason, except as otherwise required by law.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-K

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

For the fiscal year ended December 31, 2016

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 1-33579

INTERDIGITAL, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania	**23-1882087**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*
200 Bellevue Parkway, Suite 300 Wilmington, Delaware	**19809**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code (302) 281-3600

Securities registered pursuant to Section 12(b) of the Act:

Common Stock (par value $0.01 per share)	**NASDAQ Stock Market LLC**
(title of class)	*(name of exchange on which registered)*

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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 ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $1,894,452,875 as of June 30, 2016.

The number of shares outstanding of the registrant's common stock was 34,306,691 as of February 21, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed pursuant to Regulation 14A in connection with the registrant's 2017 annual meeting of shareholders are incorporated by reference into Items 10, 11, 12, 13 and 14 of Part III of this Form 10-K.

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In this Form 10-K, the words "we," "our," "us," "the Company" and "InterDigital" refer to InterDigital, Inc. and/or its subsidiaries, individually and/or collectively, unless otherwise indicated or the context otherwise requires. InterDigital® is a registered trademark of InterDigital, Inc. Creating the Living Network, data service exchange, oneMPOWER, wot.io and XCellAir are trademarks of InterDigital. All other trademarks, service marks and/or trade names appearing in this Form 10-K are the property of their respective holders.

PART I

Item 1. *BUSINESS.*

Overview

InterDigital, Inc. ("InterDigital") designs and develops advanced technologies that enable and enhance wireless communications and capabilities. Since our founding in 1972, our engineers have designed and developed a wide range of innovations that are used in digital cellular and wireless products and networks, including 2G, 3G, 4G and IEEE 802-related products and networks. We are a leading contributor of innovation to the wireless communications industry.

Given our long history and focus on advanced research and development, InterDigital has one of the most significant patent portfolios in the wireless industry. As of December 31, 2016, InterDigital's wholly owned subsidiaries held a portfolio of approximately 20,000 patents and patent applications related to a range of technologies including the fundamental technologies that enable wireless communications. In that portfolio are a number of patents and patent applications that we believe are or may be essential or may become essential to cellular and other wireless standards, including 3G, 4G and the IEEE 802 suite of standards, as well as patents and patent applications that we believe may become essential to 5G standards that are under development. That portfolio has largely been built through internal development, supplemented by joint development projects with other companies as well as select acquisitions of patents and companies. Products incorporating our patented inventions include: mobile devices, such as cellular phones, tablets, notebook computers and wireless personal digital assistants; wireless infrastructure equipment, such as base stations; components, dongles and modules for wireless devices; and IoT devices and software platforms.

InterDigital derives revenues primarily from patent licensing, with contributions from patent sales, product sales, technology solutions licensing and sales and engineering services. In 2016, our total revenues were $665.9 million, an increase of $224.4 million compared to 2015. Our recurring revenues, consisting of current patent royalties and current technology solutions revenue, were $356.2 million in 2016, a decrease of $16.6 million compared to 2015. Additional information about our revenues, profits and assets, as well as additional financial data, is provided in the selected financial data in Part II, Item 6, and in the financial statements and accompanying Notes in Part II, Item 8, of this Form 10-K.

Our Strategy

Our objective is to continue to be a leading designer and developer of technology solutions and innovation for the mobile industry and to monetize those solutions and innovations through a combination of licensing, sales and other revenue opportunities.

To execute our strategy, we intend to:

- ***Develop and source innovative technologies related to wireless.*** We intend to grow or maintain a leading position in advanced mobile technology, the Internet of Things (IoT) and other related technology areas by leveraging our expertise to guide internal research and development capabilities, direct our efforts in partnering with leading inventors and industry players to source new technologies and pursue select acquisitions of technologies and/or companies.
- ***Establish and grow our patent-based revenue.*** We intend to grow our licensing revenue base by adding licensees, expanding into adjacent technology areas that align with our intellectual property position and leveraging the continued growth of the overall mobile technology market. Those licensing efforts can be self-driven or executed in conjunction with licensing partnerships, trusts and other efforts, and may involve the vigorous defense of our intellectual property through litigation and other means. We also believe that our ongoing research efforts and associated patenting activities enable us to sell patent assets that are not vital to our core licensing programs, as well as to execute patent swaps that can strengthen our overall portfolio.

- ***Pursue commercial opportunities for our advanced platforms and solutions.*** We intend to pursue the commercialization of technology platforms and solutions that arise from our research efforts. As part of our ongoing research and development efforts, InterDigital often builds out entire functioning platforms in various technology areas. We seek to bring those technologies, as well as other technologies we may develop or acquire, to market through various methods including technology licensing, stand-alone commercial initiatives, joint ventures and partnerships.
- ***Maintain a collaborative relationship with key industry players and worldwide standards bodies***. We intend to continue contributing to the ongoing process of defining mobile standards and other industry-wide efforts and incorporating our inventions into those technology areas. Those efforts, and the knowledge gained through them, support internal development efforts and also help guide technology and intellectual property sourcing through partners and other external sources.

Technology Research and Development

InterDigital pursues a diversified approach to sourcing the innovations that underpin our business. That approach incorporates internally driven research and development efforts by InterDigital Labs, as well as externally focused efforts by our Innovation Partners unit and select acquisitions of technology innovations and/or companies, such as Hillcrest Labs. Our efforts are guided by our vision of the future of mobile communications — Creating the Living Network™ — which is articulated around the variables of content, context and connectivity, and how the interplay of these elements drives future technology capabilities and needs.

As of December 31, 2016, our patent portfolio consisted of approximately 2,300 U.S. patents (approximately 280 of which were issued in 2016) and approximately 12,100 non-U.S. patents (approximately 1,250 of which were issued in 2016). As of the same date, we also had numerous patent applications pending worldwide, with close to 1,300 applications pending in the United States and more than 4,500 pending non-U.S. applications. The patents and applications comprising our portfolio relate predominantly to digital wireless radiotelephony technology (including, without limitation, 3G and 4G technologies). Issued patents expire at differing times ranging from 2017 through 2035. We operate eight research and development facilities in four countries: Conshohocken, Pennsylvania, USA; Buffalo and Melville, New York, USA; San Diego, California, USA; Montreal, Canada; London, UK; and Seoul, South Korea. The Company's Hillcrest Labs subsidiary, focused on advanced sensor and sensor fusion technology, is located in Rockville, Maryland, USA.

InterDigital Labs

As an early and ongoing participant in the digital wireless market, InterDigital developed pioneering solutions for the primary cellular air interface technologies in use today, TDMA and CDMA. That early involvement, our continued development of those advanced digital wireless technologies and innovations in OFDM/OFDMA and MIMO technologies have enabled us to create our significant worldwide portfolio of patents. In addition, InterDigital was among the first companies to participate in standardization and platform development efforts related to Machine-to-Machine (M2M) communications and IoT technology. In conjunction with our participation in certain standards bodies, we have filed declarations stating that we have patents that we believe are or may be essential or may become essential to cellular and other mobile industry standards and that, with respect to our essential patents, we are prepared to grant licenses on fair, reasonable and non-discriminatory terms or similar terms consistent with the requirements of the respective standards organizations.

Our capabilities in the development of advanced mobile technologies are based on the efforts of a highly specialized engineering team, leveraging leading-edge equipment and software platforms. As of December 31, 2016, InterDigital employed approximately 180 engineers, approximately 80% of whom hold advanced degrees (including 60 doctorate degrees). Over the last three years, investment in development has ranged from $68.7 million to $75.3 million, and the largest portion of this expense has been personnel costs. Additional information about our development expenses is provided in the results of operations, under the heading "Operating Expenses," in Part II, Item 7, of this Form 10-K.

Our current research efforts are focused on three main technology areas: cellular wireless technology, IoT technology, and, through our Hillcrest Labs subsidiary, advanced sensor and sensor fusion technology.

Cellular Wireless Technology

We have a long history of developing cellular technologies, including those related to CDMA and TDMA and, more recently, OFDM/OFDMA and MIMO. A number of our inventions are being used in all 2G, 3G and 4G wireless networks and mobile terminal devices. We led the industry in establishing TDMA-based TIA/EIA/IS-54 as a U.S. digital wireless standard in the 1980s and developed a substantial portfolio of TDMA-based patented inventions. These inventions include or relate to fundamental elements of TDMA-based systems in use around the world. We have also developed and patented innovative CDMA and OFDM/OFDMA technology solutions and today, we hold a significant worldwide portfolio of patents and patent applications for these technologies. Similar to our TDMA inventions, we believe that a number of our CDMA and OFDM/OFDMA inventions are, may be or may become essential to the implementation of CDMA and OFDM/OFDMA-based systems in use today.

We also continue to be engaged in development efforts to build and enhance our technology portfolio in areas including LTE, LTE-Advanced, and emerging 5G technologies for 3GPP. Some of our LTE inventions include or relate to MIMO technologies for reducing interference and increasing data rates; power control; hybrid-ARQ for fast error correction; control channel structures for efficient signaling; multi-carrier operation; low-complexity devices; vehicular-centric communications (V2X); and other areas. We also continue to develop additional technologies in response to existing or perceived challenges of connectivity, many of them within the scope of our efforts to define future generations of wireless including 5G. These include air interface enhancements, policy-driven bandwidth management, cognitive radio and optimized data delivery. We are developing technologies that will enable efficient multimedia content delivery across heterogeneous devices and networks, and creating evolved system architectures that enable operation in small cells and additional frequency bands and improved cell-edge performance as well as device-to-device communications.

Our strong wireless background includes engineering and corporate development activities that focus on solutions that apply to other wireless market segments. These segments primarily fall within the continually expanding scope of the IEEE 802, IETF and ETSI standards. We are building a portfolio of technology related to Wi-Fi, WLAN, WMAN and WRAN that includes, for example, improvements to the IEEE 802.11 PHY and MAC to increase peak data rates, the use of lower frequency bands for IoT and other new use cases such as TV-Whitespace (802.11af) and sub 1 GHz (802.11ah), and fast initial link setup (802.11ai) to enhance hotspot operation (WFA HOTSPOT 2.0).

IoT Technology

In the field of machine-to-machine (M2M) and IoT applications, we are developing technologies to enable seamless interconnection for multiple access types (cellular, WLAN, WPAN) and M2M service frameworks that can be managed by a customer and leveraged by a diverse set of vertical applications. These technologies build on our expertise in developing platforms and contributing technologies towards the advancement of global M2M and IoT standards. As part of, and in addition to, InterDigital's standards-focused development, we have two solutions that are being made available commercially.

Our oneMPOWER™ platform, launched in 2015, enables interoperability and scalability across diverse verticals, networks, and devices. InterDigital's oneMPOWER platform is a secure and scalable horizontal platform that helps businesses launch and manage IoT data and applications. It features a comprehensive suite of application enabling services that span connectivity, device, data, security, and transaction management. Our oneMPOWER platform complies with oneM2M, the global standard for horizontal IoT platforms, and is designed for interoperability across diverse vertical markets, networks, and devices. The solution is based on an open standard with a long-term features roadmap, which interworks with many existing industry protocols and alliances.

The wot.io™ data service exchange™ for connected device platforms was launched in 2014. The wot.io platform provides a common interface to multiple service providers, allowing companies to monetize IoT data in a simpler fashion via a real-time, low-latency service-oriented architecture.

Other Technology Areas and Sources

Because mobile technology today and into the future encompasses a very broad range of areas, we are also developing a range of technologies in the areas of video compression and delivery, security, analytics, and other areas. Some of those efforts are related to technology standards. In addition, to supplement our own development efforts, our Innovation Partners unit pursues an external sourcing model based around partnerships with leading inventors and research organizations, as well as the acquisition of technology and patent portfolios that align with InterDigital's roadmap, particularly in the areas of augmented/virtual reality, haptics and the connected home and vehicle verticals of IoT. In 2016, in addition to existing relationships with VTT Technical Research Centre of Finland, McGill University, the Institute for Management Cybernetics (IfU) in Germany, the Florida Institute for Human and Machine Cognition (IHMC) and igolgi, Inc., Innovation Partners added a relationship with the Southwest Research Institute in San Antonio, Texas.

In addition, in December 2016, InterDigital acquired Hillcrest Laboratories, Inc. ("Hillcrest Labs"), a pioneer in sensor processing technology. Sensor processing and sensor fusion is an important emerging technology area, with multiple applications in IoT, augmented and virtual reality, robotics, and other areas. Hillcrest Labs' strong product and technology offerings and intellectual property portfolio reflect their pioneering position in this technology segment.

Our Revenue Sources

Patent-Based Revenue

We believe that companies making, importing, using or selling products compliant with the standards covered by our patent portfolio, including all manufacturers of mobile handsets, tablets and other devices, require a license under our patents and will require licenses under patents that may issue from our pending patent applications. We have successfully entered into license agreements with many of the leading mobile communications companies globally, including Apple Inc. ("Apple"), HTC Corporation, Huawei Investment & Holding Co., Ltd. ("Huawei"), Kyocera Corporation ("Kyocera"), Samsung Electronics Co., Ltd. ("Samsung") and Sony Corporation of America ("Sony"), among others.

Most of our patent license agreements are structured on a royalty-bearing basis, while others are structured on a paid-up basis or a combination thereof. Upon entering into a new patent license agreement, the licensee typically agrees to pay consideration for sales made prior to the effective date of the license agreement (i.e., past patent royalties) and also agrees to pay royalties or license fees on licensed products sold during the term of the agreement. We expect that, for the most part, new license agreements will follow this model. Almost all of our patent license agreements provide for the payment of royalties based on sales of licensed products designed to operate in accordance with particular standards (convenience-based licenses), as opposed to the payment of royalties if the manufacture, sale or use of the licensed product infringes one of our patents (infringement-based licenses).

In most cases, we recognize the revenue from per-unit royalties in the period when we receive royalty reports from licensees. In circumstances where we receive consideration for past patent royalties, we recognize such payments as revenue in the period in which the patent license agreement is signed. Some of these patent license agreements provide for the non-refundable prepayment of royalties that are usually made in exchange for prepayment discounts. As the licensee reports sales of covered products, the royalties are calculated and either applied against any prepayment or become payable in cash or other consideration. Additionally, royalties on sales of licensed products under the license agreement become payable or applied against prepayments based on

the royalty formula applicable to the particular license agreement. These formulas include flat dollar rates per unit, a percentage of sales, a percentage of sales with a per-unit cap and other similar measures. The formulas can also vary by other factors, including territory, covered standards, quantity and dates sold. Our license agreements typically contain provisions that give us the right to audit our licensees' books and records to ensure compliance with the licensees' reporting and payment obligations under those agreements. From time to time, these audits reveal underreporting or underpayments under the applicable agreements. In such cases, we seek payment for the amount owed and enter into negotiations with the licensee to resolve the discrepancy.

Some of our patent licenses are paid up, requiring no additional payments relating to designated sales under agreed upon conditions. Those conditions can include paid-up licenses for a period of time (fixed-fee agreements), for a class of products, for a number of products sold, under certain patents or patent claims, for sales in certain countries or a combination thereof. Licenses have become paid-up based on the payment of fixed amounts or after the payment of royalties for a term. With the exception of amounts allocated to past patent royalties, we recognize revenues related to fixed amounts on a straight-line basis.

In addition, in 2013, InterDigital formed the Signal Trust for Wireless Innovation (the "Signal Trust"). The goal of the Signal Trust is to monetize a large patent portfolio related to cellular infrastructure. More than 500 patents and patent applications were transferred from InterDigital to the Signal Trust, focusing primarily on 3G and LTE technologies and developed by InterDigital's engineers and researchers over more than a decade. A number of these innovations have been contributed to the worldwide standards process, resulting in a portfolio that includes patents for pioneering inventions that we believe are used pervasively in the cellular wireless industry. InterDigital is the primary beneficiary of the Signal Trust. The distributions from the Signal Trust will support continued research related to cellular wireless technologies. A small portion of the proceeds from the Signal Trust will be used to fund, through the Signal Foundation for Wireless Innovation, scholarly analysis of intellectual property rights and the technological, commercial and creative innovations they facilitate.

In third quarter 2016, InterDigital joined Avanci, the industry's first marketplace for the licensing of cellular standards-essential technology for the Internet of Things (IoT). The licensing platform brings together some of InterDigital's peers in standards-essential technology leadership, and makes 2G, 3G and 4G standards-essential patents available to IoT players in specific product segments with one flat-rate license. The Avanci licensing programs in specific product segments for the IoT industry will provide access to the entire applicable standards-essential wireless patent portfolios held by all of the platform participants, as well as any additions to their portfolios during the term of the license.

We also pursue, on occasion, targeted sales of portions of our patent portfolio. This strategy is based on the expectation that our portfolio and continued research efforts extend well beyond the requirements for a successful licensing program. In addition, the strategy leverages the desire from new entrants in the mobile technology space to build strong intellectual property positions to support their businesses.

Other Potential Revenue Sources

Our strong technology expertise and research and development team also form the basis for other potential revenue opportunities, focused around areas such as engineering services, research joint ventures and the continued development, commercialization and licensing of research and development projects that have progressed to a pre-commercial or commercial phase. We also currently recognize revenue from the licensing of technology that has been developed by our engineering teams and is integrated into other companies' technology products.

In both its cellular wireless and IoT technology areas, we work to incubate and commercialize market-ready technologies. These include technologies that were developed as part of our standards development efforts, as well as technologies developed outside the scope of those efforts.

In certain cases where we have identified a potential commercial opportunity, we have chosen to establish a separate commercial initiative focused on the specific opportunity and developing commercial products to address the identified need. For example, in 2014, XCellAir, Inc. was established. The XCellAir™ product is a cloud-based, multi-vendor, multi-technology mobile network management and optimization solution that enables mobile network operators, mobile system operators and Internet service providers to manage, optimize and monetize heterogeneous network resources. Although this and similar initiatives are in their early stages, they are potential revenue sources for the Company.

In 2012, we formed of a joint venture with Sony called Convida Wireless. The joint venture combined InterDigital's advanced M2M research capabilities with Sony's consumer electronics expertise with the purpose of driving new research in IoT communications and other connectivity areas. In 2015, this joint venture was renewed, and its focus was expanded to include advanced research and development into 5G and future wireless technologies.

Finally, the acquisition of Hillcrest Labs in 2016 adds a potential revenue stream in the form of product and technology sales and licensing to their customers in the Smart TV, AR/VR, wearables and gaming areas, among others.

Wireless Communications Industry Overview

The wireless communications industry continues to experience rapid growth worldwide, as well as an expansion of device types entering the market. In smartphones alone, the market continues to see growth, with growth focused on higher-end 4G devices. In addition, new markets are emerging related to wireless connectivity. IoT is an important new market in the technology field, which is expected to result in a significant increase in the number of connections, and unlock new business capabilities. IoT is currently in its earliest stages, and estimates vary broadly as far as how many connections it will yield. IHS estimates that the IoT market will grow to an installed base of nearly 70 billion connected devices by 2025, with total new device shipments reaching nearly 18 billion yearly by 2025 and particularly high growth in the automotive, industrial and medical fields. Shipments of 3G, 4G and 802.11 IoT connected devices alone are expected to eclipse 6 billion by 2019. (IHS IoT Devices and Connectivity Service — Q3 2016.)

To achieve economies of scale and support interoperability among different participants, products for the wireless industry have typically been designed to operate in accordance with certain standards. Wireless communications standards are formal guidelines for engineers, designers, manufacturers and service providers that regulate and define the use of the radio frequency spectrum in conjunction with providing detailed specifications for wireless communications products. A primary goal of the standards is to ensure interoperability of products marketed by multiple companies. A large number of international and regional wireless Standards Development Organizations ("SDOs"), including the ITU, ETSI, TIA (USA), IEEE, ATIS (USA), TTA (Korea), ARIB (Japan) and ANSI, have responsibility for the development and administration of wireless communications standards. New standards are typically adopted with each new generation of products, are often compatible with previous generations and are defined to ensure equipment interoperability and regulatory compliance.

Standards have evolved in response to consumer demand for services and expanded capabilities of mobile devices. Cellular standards have evolved from voice-oriented services to multimedia services that exploit the higher speeds offered by newer technologies, such as LTE. The wireless communications industry has also made significant advances in non-cellular wireless technologies.

SDOs typically ask participating companies to declare formally whether they believe they hold patents or patent applications essential to a particular standard and whether they are willing to license those patents on either a royalty-bearing basis on fair, reasonable and nondiscriminatory terms or on a royalty-free basis. To manufacture, have made, sell, offer to sell or use such products on a non-infringing basis, a manufacturer or other entity doing so must first obtain a license from the holder of essential patent rights. The SDOs do not have enforcement authority against entities that fail to obtain required licenses, nor do they have the ability to protect the intellectual property rights of holders of essential patents.

InterDigital often publicly characterizes aspects of its business, including license agreements and development projects, as pertaining to broad mobile industry standards such as, for example, 3G, 4G and Wi-Fi. In doing this, we generally rely on the positions of the applicable standards-setting organizations in defining the relevant standards. However, the definitions may evolve or change over time, including after we have characterized certain transactions.

Business Activities

2016 Patent Licensing Activity

During first quarter 2016, we amended our worldwide, nonexclusive, royalty-bearing patent license agreement with NEC Corporation ("NEC"). The agreement was amended to add coverage for 4G technologies, and NEC is now also licensed for the sale of its LTE and LTE-A terminal unit and infrastructure products. The amendment also extended the existing term of NEC's patent license with InterDigital.

During third quarter 2016, we entered into a multi-year, worldwide, non-exclusive, royalty-bearing patent license agreement with Huawei (the "Huawei PLA"). The agreement covers sales of Huawei and its affiliates' 3G and 4G terminal unit products and sets forth cash payments to InterDigital and a process for the transfer of patents from Huawei to InterDigital, as well as a framework for discussions regarding joint research and development efforts. As a result of the Huawei PLA, the companies settled all proceedings related to their arbitration initiated in 2014.

In addition, during third quarter 2016, we amended our worldwide, non-exclusive, royalty bearing patent license agreement with Sharp Corporation ("Sharp") to add coverage for 4G technologies. Sharp is now licensed for the sale of its LTE and LTE-A terminal unit products.

During fourth quarter 2016, we entered into a new multi-year, royalty-bearing, worldwide and non-exclusive patent license agreement with Apple (the "Apple PLA"). The agreement sets forth terms covering the sale by Apple of its products and services, including, but not limited to, its 3G, 4G and future generation cellular and wireless-enabled products. The agreement gives Apple the right to terminate certain rights and obligations under the license for the period after September 30, 2021, but has the potential to provide a license to Apple for a total of up to six years.

Customers Generating Revenues Exceeding 10% of Total 2016 Revenues

Apple, Huawei, Pegatron Corporation ("Pegatron") and Samsung comprised approximately 25%, 23%, 20% and 10% of our total 2016 revenues, respectively.

As discussed above, in fourth quarter 2016, we entered into the new Apple PLA. During 2016, we recognized a total of $169.3 million of revenue under the Apple PLA, which included $141.4 million of past sales.

Also as discussed above, during third quarter 2016, we entered into the Huawei PLA. During 2016, we recognized a total of $154.8 million of revenue associated with the Huawei PLA, which included $121.5 million of past sales.

In 2008, we entered into a patent license agreement with Pegatron (the "2008 Pegatron PLA") that covers Pegatron and its affiliates. Under the terms of the 2008 Pegatron PLA, we granted Pegatron a non-exclusive, non-transferable, world-wide royalty-bearing license covering the sale of certain products designed to operate in accordance with 2G and 3G wireless standards ("Licensed Products"). In second quarter and fourth quarter 2013, we received arbitration awards in separate proceedings we initiated against Pegatron and Apple, respectively. Taken together, these arbitration awards clarified that Pegatron owed us royalties on certain

products it produces for Apple. The Pegatron arbitration award confirmed that, to the extent that Pegatron manufactures Licensed Products for Apple that are not licensed under our 2007 patent license agreement with Apple (the "2007 Apple PLA"), those products are covered by the 2008 Pegatron PLA and are royalty bearing under that agreement. Upon the expiration of the 2007 Apple PLA at the end of June 2014, Apple became unlicensed as to all products that were covered under the agreement and therefore all Apple sales were unlicensed, except to the extent certain products were licensed under the terms of our license agreements with certain Apple suppliers, including Pegatron. With the entry into the new Apple PLA in fourth quarter 2016, we will no longer receive royalties under the 2008 Pegatron PLA for those products that Pegatron produces for Apple which are sold to or for Apple during the term of the Apple PLA. In 2016, we recognized $133.3 million of revenue under the 2008 Pegatron PLA, substantially all of which was associated with sales of Apple products.

In second quarter 2014, we entered into a patent license agreement with Samsung. The multi-year agreement also resolved all pending litigation between the companies. The royalty-bearing license agreement sets forth terms covering the sale by Samsung of 3G, 4G and certain future generation wireless products. The agreement provides Samsung the ability to terminate certain rights and obligations under the license for the period after 2017 but has the potential to provide a license to Samsung for a total of ten years, including 2013. During 2016, we recognized $69.0 million of revenue associated with this agreement.

Patent Infringement and Declaratory Judgment Proceedings

From time to time, if we believe a party is required to license our patents in order to manufacture, use and/or sell certain products and such party refuses to do so, we may agree with such party to have royalty rates, or other terms, set by third party adjudicators (such as arbitrators) or, in certain circumstances, we may institute legal action against them. This legal action has typically taken the form of a patent infringement lawsuit or an administrative proceeding such as a Section 337 proceeding before the United States International Trade Commission ("USITC" or the "Commission"). In a patent infringement lawsuit, we would typically seek damages for past infringement and an injunction against future infringement. In a USITC proceeding, we would seek an exclusion order to bar infringing goods from entry into the United States, as well as a cease and desist order to bar further sales of infringing goods that have already been imported into the United States. Parties may bring administrative and/or judicial challenges to the validity, enforceability, essentiality and/or applicability of our patents to their products. Parties may also allege that our efforts to enter into a license with that party do not comply with any obligations we may have in connection with our participation in standards-setting organizations, and therefore that we are not entitled to the relief that we seek. For example, a party may allege that we have not complied with an obligation to offer a license to that party on fair, reasonable and non-discriminatory terms and conditions, and may also file antitrust claims or regulatory complaints on that or other bases, and may seek damages or other relief based on such claims. In addition, a party might file a declaratory judgment action to seek a court's declaration that our patents are invalid, unenforceable, not infringed by the other party's products or are not essential. Our response to such a declaratory judgment action may include claims of infringement. When we include claims of infringement in a patent infringement lawsuit, a favorable ruling for the Company can result in the payment of damages for past patent royalties, the setting of a royalty for future sales or issuance by the court of an injunction enjoining the infringer from manufacturing, using and/or selling the infringing product.

Contractual Arbitration Proceedings

We and our licensees, in the normal course of business, may have disagreements as to the rights and obligations of the parties under applicable agreements. For example, we could have a disagreement with a licensee as to the amount of reported sales and royalties. Our patent license agreements typically provide for audit rights as well as private arbitration as the mechanism for resolving disputes, and we may attempt to resolve such disputes in arbitration. In arbitration, licensees may seek to assert various claims, defenses, or counterclaims, such as claims based on waiver, promissory estoppel, breach of contract, fraudulent inducement to contract, antitrust, and unfair competition. Arbitration proceedings can be resolved through an award rendered by the arbitrators or by settlement between the parties. Parties to arbitration might have the right to have the award

reviewed in a court of competent jurisdiction. However, based on public policy favoring the use of arbitration, it is generally difficult to have arbitration awards vacated or modified. The party securing an arbitration award may seek to have that award converted into a judgment through an enforcement proceeding. The purpose of such a proceeding is to secure a judgment that can be used for, if need be, seizing assets of the other party.

Competition

With respect to our technology development activities and resulting commercialization efforts, we face competition from companies, including in-house development teams at other wireless device companies and semiconductor companies and wireless operators, developing other and similar technologies that are competitive with our products and solutions that we may market or set forth into the standards-setting arena.

Due to the exclusionary nature of patent rights, we do not compete, in a traditional sense, with other patent holders for patent licensing relationships or sale transactions. Other patent holders do not have the same rights to the inventions and technologies encompassed by our patent portfolio. In any device or piece of equipment that contains intellectual property, the manufacturer may need to obtain licenses from multiple holders of intellectual property. In licensing our patent portfolio, we compete with other patent holders for a share of the royalties that certain licensees may argue to be the total royalty that is supported by a certain product or products, which may face practical limitations. We believe that licenses under a number of our patents are required to manufacture and sell 3G, 4G and other wireless products. However, numerous companies also claim that they hold 3G, 4G and other wireless patents that are or may be essential or may become essential to cellular and other wireless standards. To the extent that multiple parties all seek royalties on the same product, the manufacturers could claim to have difficulty in meeting the financial requirements of each patent holder. In the past, certain manufacturers have sought antitrust exemptions to act collectively on a voluntary basis. In addition, certain manufacturers have sought to limit aggregate licensing fees or rates for essential patents. Similarly, potential purchasers of our patents often amass patent portfolios for defensive and/or cross-licensing purposes and could choose to acquire patent assets within the same general technology space from other patent holders.

Employees

As of December 31, 2016, we had approximately 360 employees. None of our employees are represented by a collective bargaining unit.

Geographic Concentrations

See Note 4, "*Geographic/Customer Concentration*," in the Notes to Condensed Consolidated Financial Statements included in Part II, Item 8, of this Form 10-K for financial information about geographic areas for the last three years.

Corporate Information

The ultimate predecessor company of InterDigital, Inc. was incorporated in 1972 under the laws of the Commonwealth of Pennsylvania and conducted its initial public offering in November 1981. Our corporate headquarters and administrative offices are located in Wilmington, Delaware, USA. Our research and technology development centers are located in the following locations: Conshohocken, PA; Buffalo and Melville, NY; San Diego, CA; Montreal, Quebec, Canada; London, England, United Kingdom; and Seoul, South Korea. Our Hillcrest Labs subsidiary is located in Rockville, MD.

Our Internet address is *www.interdigital.com,* where, in the "Investors" section*,* we make available, free of charge, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, certain other reports and filings required to be filed under the Securities Exchange Act of 1934, as amended, and all amendments to those reports or filings as soon as reasonably practicable after such material is electronically filed with or furnished to the United States Securities and Exchange Commission. The information contained on or connected to our website is not incorporated by reference into this Form 10-K.

Item 1A. *RISK FACTORS.*

We face a variety of risks that may affect our business, financial condition, operating results, the trading price of our common stock, or any combination thereof. You should carefully consider the following information and the other information in this Form 10-K in evaluating our business and prospects and before making an investment decision with respect to our common stock. If any of these risks were to occur, our business, financial condition, results of operations or prospects could be materially and adversely affected. In such an event, the market price of our common stock could decline and you could lose all or part of your investment. The risks and uncertainties we describe below are not the only ones facing us. Additional risks not presently known to us or that we currently deem immaterial may also affect our business.

Risks Related to Our Business

Potential patent and litigation reform legislation, potential USPTO and international patent rule changes, potential legislation affecting mechanisms for patent enforcement and available remedies, and potential changes to the intellectual property rights ("IPR") policies of worldwide standards bodies, as well as rulings in legal proceedings may affect our investments in research and development and our strategies for patent prosecution, licensing and enforcement and could have a material adverse effect on our licensing business as well as our business as a whole.

Potential changes to certain U.S. and international patent laws, rules and regulations may occur in the future, some or all of which may affect our research and development investments, patent prosecution costs, the scope of future patent coverage we secure, the number of forums in which we can seek to enforce our patents, the remedies that we may be entitled to in patent litigation, and attorneys' fees or other remedies that could be sought against us, and may require us to reevaluate and modify our research and development activities and patent prosecution, licensing and enforcement strategies. Similarly, legislation designed to reduce the jurisdiction and remedial authority of the United States International Trade Commission (the "USITC") has periodically been introduced in Congress.

Any potential changes in the law, the IPR policies of standards bodies or other developments that reduce the number of forums available or the type of relief available in such forums (such as injunctive relief), restrict permissible licensing practices (such as our ability to license on a worldwide portfolio basis) or that otherwise cause us to seek alternative forums (such as arbitration or state court), would make it more difficult for us to enforce our patents, whether in adversarial proceedings or in negotiations. Because we have historically depended on the availability of certain forms of legal process to enforce our patents and obtain fair and adequate compensation for our investments in research and development and the unauthorized use of our intellectual property, developments that undermine our ability to do so could have a negative impact on future licensing efforts.

Rulings in our legal proceedings as well as those of third parties may affect our strategies for patent prosecution, licensing and enforcement. For example, in recent years, the USITC and U.S. courts, including the U.S. Supreme Court and the U.S. Court of Appeals for the Federal Circuit, have taken some actions that have been viewed as unfavorable to patentees, including the Company. Decisions that occur in U.S. or in international forums may change the law applicable to various patent law issues, such as, for example, patentability, validity, claim construction, patent exhaustion, patent misuse, permissible licensing practices, available forums, and remedies such as damages and injunctive relief, in ways that are detrimental to the abilities of patentees to enforce patents and obtain suitable relief.

We continue to monitor and evaluate our strategies for prosecution, licensing and enforcement with regard to these developments; however, any resulting change in such strategies may have an adverse impact on our business and financial condition.

Increased scrutiny by antitrust authorities may affect our strategies for patent prosecution, licensing and enforcement and may increase our costs of doing business and/or lead to monetary fines, penalties or other remedies or sanctions.

Domestic and foreign antitrust authorities have increased their scrutiny of the use of standards-essential patents in the mobile wireless industry, including the enforcement of such patents against competitors and others. Such scrutiny has resulted in, and may lead to additional, inquiries that may lead to enforcement actions against the Company and/or impact the availability of injunctive and monetary relief, which may adversely affect our strategies for patent prosecution, licensing and enforcement and increase our costs of operation. Such inquiries and/or enforcement actions could result in monetary fines, penalties or other remedies or sanctions that could adversely affect our business and financial condition.

Royalty rates, or other terms, under our patent license agreements could be subject to determination through arbitration or other third party adjudications or regulatory proceedings, and arbitrators or other third party adjudicators or regulators could determine that our patent royalty rates should be at levels lower than our agreed or historical rates or otherwise make determinations resulting in less favorable terms and conditions under our patent license agreements.

Historically, the terms of our patent license agreements, including our royalty rates, have been reached through arms-length bilateral negotiations with our licensees. We could agree, as we did with Huawei pursuant to our December 2013 settlement agreement, to have royalty rates, or other terms, set by third party adjudicators (such as arbitrators) and it is also possible that courts or regulators could decide to set or otherwise determine the fair, reasonable and non-discriminatory (“FRAND”) consistency of such terms or the manner in which such terms are determined. Changes to or clarifications of our obligations to be prepared to offer licenses to standards-essential patents on FRAND terms and conditions could require such terms, including our royalty rates, to be determined through third party adjudications. Finally, certain of our current and prospective licensees have already instigated, and others could in the future instigate, legal proceedings or regulatory proceedings requesting third party adjudicators or regulators, such as China’s National Development and Reform Commission and Taiwan’s Fair Trade Commission, to set FRAND terms and conditions for, or determine the FRAND-consistency of current terms and conditions in, our patent license agreements. To the extent that our patent royalty rates for our patent license agreements are determined through arbitration or other third party adjudications or regulatory proceedings rather than through bilateral negotiations, because such proceedings are inherently unpredictable and uncertain and there are currently few precedents for such determinations, it is possible that royalty rates may be lower than our agreed or historical rates, and this could also have a negative impact on royalties we are able to obtain from future licensees, which may have an adverse effect on our revenue and cash flow. In addition, to the extent that other terms and conditions for our patent license agreements are determined through such means, such terms and conditions could be less favorable than our historical terms and conditions, which may have an adverse effect on our licensing business.

Setbacks in defending and enforcing our patent rights could cause our revenue and cash flow to decline.

Some third parties have challenged, and we expect will continue to challenge, the infringement, validity and enforceability of certain of our patents. In some instances, certain of our patent claims could be substantially narrowed or declared invalid, unenforceable, not essential or not infringed. We cannot ensure that the validity and enforceability of our patents will be maintained or that our patents will be determined to be applicable to any particular product or standard. Moreover, third parties could attempt to circumvent certain of our patents through design changes. Any significant adverse finding as to the validity, infringement, enforceability or scope of our patents and/or any successful design-around of our patents could result in the loss of patent licensing revenue from existing licensees, through termination or modification of agreements or otherwise, and could substantially impair our ability to secure new patent licensing arrangements, either at all or on beneficial terms.

Due to the nature of our business, we could continue to be involved in a number of costly litigation, arbitration and administrative proceedings to enforce or defend our intellectual property rights and to defend our licensing practices.

While some companies seek licenses before they commence manufacturing and/or selling devices that use our patented inventions, most do not. Consequently, we approach companies and seek to establish license agreements for using our inventions. We expend significant time and effort identifying users and potential users of our inventions and negotiating license agreements with companies that may be reluctant to take licenses. However, if we believe that a third party is required to take a license to our patents in order to manufacture, sell, offer for sale, import or use products, we have in the past commenced, and may in the future, commence legal or administrative action against the third party if they refuse to enter into a license agreement with us. In turn, we have faced, and could continue to face, counterclaims and other legal proceedings that challenge the essential nature of our patents, or that claim that our patents are invalid, unenforceable or not infringed. Litigation adversaries may allege that we have not complied with certain commitments to standards-setting organizations and therefore that we are not entitled to the relief that we seek. For example, a party may allege that we have not complied with an obligation to offer a license to a party on FRAND terms and conditions, and may also file antitrust claims, unfair competition claims or regulatory complaints on that or other bases, and may seek damages and other relief based on such claims. Litigation adversaries have also filed against us, and other third parties may in the future file, validity challenges such as inter partes proceedings in the USPTO, which can lead to delays of our patent infringement actions as well as potential findings of invalidity.

Litigation may be also required to enforce our intellectual property rights, protect our trade secrets, enforce patent license and confidentiality agreements or determine the validity, enforceability and scope of proprietary rights of others.

Third parties could commence litigation against us seeking to invalidate our patents or obtain a determination that our patents are not infringed, are not essential, are invalid or are unenforceable. In addition, current and prospective licensees have initiated proceedings against us claiming, and others in the future may claim, that we have not complied with our FRAND licensing commitments and/or engaged in anticompetitive or unfair licensing activities.

The cost of enforcing and defending our intellectual property and of defending our licensing practices has been and may continue to be significant. As a result, we could be subject to significant legal fees and costs, including in certain jurisdictions the costs and fees of opposing counsel if we are unsuccessful. In addition, litigation, arbitration and administrative proceedings require significant key employee involvement for significant periods of time, which could divert these employees from other business activities.

Setbacks in defending our patent licensing practices could cause our cash flow and revenue to decline and could have an adverse effect on our licensing business.

Adverse decisions in litigation or regulatory actions relating to our licensing practices, including, but not limited to, findings that we have not complied with our FRAND commitments and/or engaged in anticompetitive or unfair licensing activities or that any of our license agreements are void or unenforceable, could have an adverse impact on our cash flow and revenue. Regulatory bodies may assess fines in the event of adverse findings, and in court or arbitration proceedings, an adverse decision could lead to a judgment requiring us to pay damages (including the possibility of treble damages for antitrust claims). In addition, to the extent that legal decisions find patent license agreements to be void or unenforceable in whole or in part, that could lead to a decrease in the revenue associated with and cash flow generated by such agreements, and, depending on the damages requested, could lead to the refund of certain payments already made. Finally, adverse legal decisions related to our licensing practices could have an adverse effect on our ability to enter into to license agreements, which, in turn, could cause our cash flow and revenue to decline.

Changes in financial accounting standards or policies may affect our reported financial condition or results of operations and, in certain cases, could cause a decline and/or fluctuations in the price of our common stock.

From time to time the Financial Accounting Standards Board (the "FASB") and the SEC change their guidance governing the form and content of our external financial statements. In addition, accounting standard setters and those who interpret U.S. generally accepted accounting principles ("GAAP"), such as the FASB and the SEC, may change or even reverse their previous interpretations or positions with regard to how these standards should be applied. A change in accounting principles or their interpretation can have a significant effect on our reported results. In certain cases, we could be required to apply new or revised guidance retroactively or apply existing guidance differently. Potential changes in reporting standards could substantially change our reporting practices in a number of areas, including revenue recognition and recording of assets and liabilities, and affect our reported financial condition or results of operations.

For example, in May 2014, the FASB and International Accounting Standards Board issued revenue guidance, Revenue from Contracts with Customers, that, once adopted by the Company on January 1, 2018, could significantly impact the timing of revenue recognition for new and existing contracts with licensees. Under the new standard, the Company may be required to recognize up to a substantial majority of the royalties under a fixed-fee license agreement upfront upon entry into the agreement, as opposed to recognizing the royalties on a quarterly basis over the term of the agreement, which has been the historical practice of many licensing companies, including InterDigital. For InterDigital, this could impact the revenue recognition of all of its existing fixed-fee patent license agreements, including certain fixed-fee agreements that cover both our current technologies and future technologies that are added to our portfolio during the term of the license, such as our patent license agreements with Apple and Samsung. In addition, our current practice, which is shared by many licensing companies and discussed in further detail in Note 2, "*Summary of Significant Accounting Policies,"* of reporting revenues from per-unit royalty-based agreements one quarter in arrears would no longer be accepted, and instead we will be expected to estimate royalty-based revenues each quarter in order to report such revenue in the period in which the underlying sales occurred, which will result in the recognition of an adjustment to true up revenue to the actual amounts reported by our licensees. Such changes to our reporting practices could significantly affect our reported financial condition and results of operations, potentially causing the amount of revenue we recognize to vary dramatically from quarter to quarter, and even year to year, depending on the timing of entry into license agreements and whether such agreements have fixed-fee or per-unit royalty terms. In addition, these changes to our reporting practices and the resulting fluctuations in our reported revenue could cause a decline and/or fluctuations in the price of our common stock. See also Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview — New Accounting Guidance.

Our technologies may not be become patented, adopted by wireless standards or widely deployed.

We invest significant resources in the development of advanced technology and related solutions. However, certain of our inventions that we believe will be employed in current and future products, including 4G and beyond, are the subject of patent applications where no patent has been issued to us yet by the relevant patent issuing authorities. There is no assurance that these applications will issue as patents, either at all or with claims that would be required by products in the market currently or in the future. Our investments may not be recoverable or may not result in meaningful revenue if a sufficient number of our technologies are not patented and adopted by the relevant standards or if products based on the technologies in which we invest are not widely deployed. Competing technologies could reduce the opportunities for the adoption or deployment of technologies we develop. If the technologies in which we invest do not become patented or are not adopted by the relevant standards or are not adopted by and deployed in the mainstream markets, at all or at the rate or within time periods we expect, our business, financial condition and operating results could be adversely affected.

We have in the past and may in the future make acquisitions or investments or engage in other strategic transactions that could result in significant changes, costs and/or management disruption and that may fail to enhance shareholder value or produce the anticipated benefits.

We have in the past and may in the future acquire companies (such as our recent acquisition of Hillcrest Labs), businesses, technology and/or intellectual property, enter into joint ventures or other strategic transactions. In addition, we may make investments in other entities by purchasing minority equity interests or corporate bonds/notes in publicly traded or privately held companies. Acquisitions or strategic investments may increase our costs, including but not limited to accounting and legal fees, and may not generate financial returns or result in increased adoption or continued use of our technologies. Most strategic investments entail a high degree of risk and may not become liquid for a period of time, if at all. In some cases, strategic investments may serve as consideration for a license in lieu of cash royalties. In addition, other investments may not generate financial returns or may result in losses due to market volatility, the general level of interest rates and inflation expectations. We have in the past and may in the future make strategic investments in early-stage companies, which require us to consolidate or record our share of the earnings or losses of those companies. Our share of any such losses may adversely affect our financial results until we exit from or reduce our exposure to these investments.

Achieving the anticipated benefits of acquisitions (including our recent acquisition of Hillcrest Labs) depends in part upon our ability to integrate the acquired companies, businesses and/or assets in an efficient and effective manner. The integration of acquired companies or businesses may result in significant challenges, including, among others: successfully integrating new employees, technology and/or products; consolidating research and development operations; minimizing the diversion of management's attention from ongoing business matters; and consolidating corporate and administrative infrastructures. As a result, we may be unable to accomplish the integration smoothly or successfully.

In addition, we cannot be certain that the integration of acquired companies, businesses, technology and/or intellectual property with our business will result in the realization of the full benefits we anticipate to result from such acquisitions. Our plans to integrate and/or expand upon research and development programs and technologies obtained through acquisitions may result in products or technologies that are not adopted by the market, or the market may adopt solutions competitive to our products or technologies. We may not derive any commercial value from the acquired technology or intellectual property or from future technologies or products based on the acquired technology and/or intellectual property. In addition, to the extent we are separately seeking a patent license from a customer or customers of an acquired entity, the acquired entity may lose such customers. Following the completion of the acquisition, we may be subject to liabilities that are not covered by the indemnification protection we may obtain and we may encounter patent validity, infringement or enforcement issues or unforeseen expenses not uncovered during our diligence process. Any acquired company or business would be subject to its own risks that may or may not be the same as the risks already disclosed herein.

Challenges relating to our ability to enter into new license agreements could cause our revenue and cash flow to decline.

We face challenges in entering into new patent license agreements. One of the most significant challenges we face is that most potential licensees do not voluntarily seek to enter into license agreements with us before they commence manufacturing and/or selling devices that use our patented inventions. As a result, we must approach companies that are reluctant to take licenses and attempt to establish license agreements with them. The process of identifying potential users of our inventions and negotiating license agreements with reluctant prospective licensees requires significant time, effort and expense. Once discussions with unlicensed companies have commenced, we face the additional challenges imposed by the significant negotiation issues that arise from time to time. Given these challenges relating to our ability to enter into new license agreements, we cannot ensure that all prospective licensees will be identified or, if they are identified, will be persuaded during negotiations to enter into a patent license agreement with us, either at all or on terms acceptable to us, and, as a

result, our revenue and cash flow could materially decline. The length of time required to negotiate a license agreement also leads to delays in the receipt of the associated revenue stream, which could also cause our revenue and cash flow to decline.

In addition, as discussed more fully above, we are currently operating in a challenging regulatory and judicial environment, which may, under certain circumstances, lead to delays in the negotiation of and entry into new patent license agreements. Also, as discussed below and in Item 3, Legal Proceedings, in this Form 10-K, we are also currently, and may in the future be, involved in legal proceedings with potential licensees, with whom we do not yet have a patent license agreement. Any such delays in the negotiation or entry into new patent license agreements and receipt of the associated revenue stream could cause our revenue and cash flow to decline.

Our revenues are derived primarily from a limited number of licensees or customers.

We earn a significant amount of our revenues from a limited number of licensees or customers, and we expect that a significant portion of our revenues will continue to come from a limited number of licensees or customers for the foreseeable future. For example, in 2016, Apple, Huawei, Pegatron and Samsung accounted for approximately 25%, 23%, 20% and 10% of our total revenues, respectively. In the event that we are unable to renew one or more of such license agreements upon expiration, our future revenue and cash flow could be materially adversely affected. In addition, in the event that one or more of our significant licensees or customers fail to meet their payment or reporting obligations (for example, due to a credit issue or in connection with a legal dispute or similar proceeding) under their respective license agreements, our future revenue and cash flow could be materially adversely affected. See Item 3, Legal Proceedings, in this Form 10-K for a description of our material legal proceedings. In addition, in the event that there is a material decrease in shipments of licensed products by one of our significant per-unit licensees, our revenues from such licensee could significantly decline and our future revenue and cash flow could be adversely affected.

Our plans to broaden our revenue sources through enhanced intellectual property sourcing, joint ventures, and developing or acquiring technology in new or expanded areas, such as in the IoT space, may not be successful and could materially adversely affect our long-term business, financial condition and operating results.

As part of our business strategy, we are seeking to broaden our revenue sources through targeted acquisitions, research partnerships, joint ventures and the continued development of new technologies. Increasingly, our future growth in part depends on developing or acquiring technology in new or expanded areas and adjacent industry segments outside of traditional cellular industries, such as the IoT, including the connected home and smart cities, automotive, mobile computing, mobile health and sensor technology, and on third parties incorporating our technology and solutions into device types used in these areas and industry segments. There is no guarantee that we will succeed in acquiring or developing technology and patents or partnering with inventors and research organizations to create new revenue opportunities and/or add new dimensions to our existing portfolio of intellectual property and potentially create new patent licensing programs. Also, our development activities may experience delays, which could reduce our opportunities for patent licensing or other avenues of revenue generation related to such development activities. In the event that any of these risks materialize, our long-term business, financial condition and operating results may be materially adversely affected.

Our plans to expand our revenue sources through commercializing our market-ready technologies and acquiring and/or developing new technology with commercial applicability may not be successful and could materially adversely affect our long-term business, financial condition and operating results.

As part of our business strategy, we are seeking to expand our revenue sources through the continued development, commercialization and licensing of technology projects. Our technology development and acquisition activities may experience delays, or the markets for our technology solutions may fail to materialize

to the extent or at the rate we expect, if at all, each of which could reduce our opportunities for technology sales and licensing. In addition, there could be fewer applications for our technology and products than we expect. Technology markets also could be affected by general economic conditions, customer buying patterns, timeliness of equipment development, and the availability of capital for, and the high cost of, infrastructure improvements. Additionally, investing in technology development is costly and may require structural changes to the organization that could require additional costs, including without limitation legal and accounting fees. Furthermore, delays or failures to enter into additional partnering relationships to facilitate technology development efforts and secure support for our technologies or delays or failures to enter into technology licensing agreements to secure integration of additional functionality could impair our ability to introduce into the market portions of our technology and resulting products, cause us to miss critical market windows, or decrease our ability to remain competitive.

Our investments in new commercial initiatives may not be successful or generate meaningful revenues.

We have invested, and may continue to invest, in new businesses focused on commercializing technology that we have developed, incubated internally and/or acquired. Commercial success depends on many factors, including the demand for the technology, the highly competitive markets for our technology products, regulatory issues associated with such technology products, and effective marketing and licensing or product sales. In addition, our new technology offerings may require robust ecosystems of customers and service providers that may fail to materialize. Further, the establishment and operation of these commercial initiatives requires significant support, including technical, legal and financial resources. It is possible that these commercial initiatives will not be successful and/or will not achieve meaningful revenues for a number of years, if at all. Further, we may attempt to develop technologies or services that we believe we would be able to sell or license commercially using inside or outside technical, legal and financial resources. If our new commercial initiatives are not successful, or are not successful in the timeframe we anticipate, we may incur significant costs, our business may not grow as anticipated and/or our reputation may be harmed. In the event that any of these risks materialize, our long-term business, financial condition and operating results may be materially adversely affected.

Our strategy to diversify our patent-based revenue by pursuing alternative patent licensing arrangements and patent sales may not be successful.

There is no guarantee that we will succeed in our pursuit of select patent licensing arrangements or patent sales, and, if we are successful, there is no guarantee that the revenue and cash flow generated through such alternative licensing arrangements (such as the Signal Trust and the Avanci licensing platform) or patent sales will be greater than the revenue and cash flow we would have generated if we had retained and/or licensed the patents ourselves. In addition, potential licensees may be reluctant to enter into new patent license agreements, and current licensees may be reluctant to renew their agreements, either at all or on terms acceptable to the Company, based on the fact that we have sold portions of our patent portfolio or the belief that we plan to sell or transfer some of the patents we are asking them to license.

We depend on key senior management, engineering, patent and licensing resources.

Our future success depends largely upon the continued service of our executive officers and other key management and technical personnel. Our success also depends on our ability to continue to attract, retain and motivate qualified personnel with specialized patent, licensing, engineering and other skills. The market for such talent in our industry is extremely competitive. In particular, competition exists for qualified individuals with expertise in patents and in licensing and with significant engineering experience in cellular and air interface technologies. Our ability to attract and retain qualified personnel could be affected by any adverse decisions in any litigation, arbitration or regulatory proceeding, by our ability to offer competitive cash and equity compensation and work environment conditions and by the geographic location of our various offices. The failure to attract and retain such persons with relevant and appropriate experience could interfere with our ability

to enter into new license agreements and undertake additional technology and product development efforts, as well as our ability to meet our strategic objectives.

Royalty rates could decrease for future license agreements due to downward product pricing pressures and competition over a finite pool of patent royalties.

Royalty payments to us under future license agreements could be lower than anticipated. Certain licensees and others in the wireless industry, individually and collectively, are demanding that royalty rates for patents be lower than historic royalty rates and/or that such rates should be applied to royalty bases smaller than the selling price of an end product (such as the "smallest salable patent practicing unit"). There is also increasing downward pricing pressure on certain wireless products, including handsets, that we believe implement our patented inventions, and some of our royalty rates are tied to the pricing of handsets. In addition, a number of other companies also claim to hold patents that are essential with respect to products for the cellular market. Demands by certain licensees to reduce royalties due to pricing pressure or the number of patent holders seeking royalties on their cellular technologies, could result in a decrease in the royalty rates we receive for use of our patented inventions, thereby decreasing future revenue and cash flow.

Our revenue and cash flow are dependent upon our licensees' sales and market conditions and other factors that are beyond our control or are difficult to forecast.

A portion of our licensing revenues is running royalty-based and dependent on sales by our licensees that are outside our control and that could be negatively affected by a variety of factors, including global, regional and/or country-specific economic conditions, country-specific natural disasters impacting licensee manufacturing and sales, buying patterns of end users, competition for our licensees' products and any decline in the sale prices our licensees receive for their covered products. In addition, our operating results also could be affected by general economic and other conditions that cause a downturn in the market for the licensees of our products or technologies. Our revenue and cash flow also could be affected by (i) the unwillingness of any licensee to satisfy all of their royalty obligations on the terms or within the timeframe we expect, (ii) a decline in the financial condition of any licensee or (iii) the failure of sales to meet market forecasts due to global or regional economic conditions, political instability, natural disasters, competitive technologies or otherwise. It is also difficult to predict the timing, nature and amount of licensing revenue associated with past infringement and new licenses, strategic relationships and the resolution of legal proceedings. The foregoing factors are difficult to forecast and could adversely affect both our quarterly and annual operating results and financial condition. In addition, some of our patent license agreements provide for fixed payments or prepayments that cover our licensees' future sales for a specified period and reduce future cash receipts from those licensees. As a result, our cash flow has historically fluctuated from period to period. Depending upon the payment structure of any new patent license agreements into which we may enter, such cash flow fluctuations may continue in the future.

Our revenue may be affected by the deployment of future-generation wireless standards in place of 3G and 4G technologies, by the timing of such deployment, or by the need to extend or modify certain existing license agreements to cover subsequently issued patents.

Although we own an evolving portfolio of issued and pending patents related to 3G, 4G and 5G cellular technologies and non-cellular technologies, our patent portfolio licensing program for future-generation wireless standards may not be as successful in generating licensing income as our current licensing programs. Although we continue to participate in worldwide standards bodies and contribute our intellectual property to future-generation wireless standards, including standards that will define 5G, our technologies might not be adopted by the relevant standards. In addition, we may not be as successful in the licensing of future-generation products as we have been in licensing 3G and 4G products, or we may not achieve a level of royalty revenues on such products that is comparable to that which we have historically received on 3G and 4G products. Furthermore, if there is a delay in the standardization and/or deployment of 5G, our business and revenue could be negatively impacted.

The licenses that we grant under our patent license agreements typically only cover products designed to operate in accordance with specified cellular technologies and that were manufactured or deployed or anticipated to be manufactured or deployed at the time of entry into the agreement. Also, we have patent license agreements with licensees that now offer for sale types of products that were not sold by such licensees at the time the patent license agreements were entered into and, thus, are not licensed by us. We do not derive patent licensing revenue from the sale of products by our licensees that are not covered by a patent license agreement. In order to grant a patent license for any such products, we will need to extend or modify our patent license agreements or enter into new license agreements with such licensees. We may not be able to extend or modify these license agreements, or enter into new license agreements, on financial terms acceptable to us, without affecting the other material terms and conditions of our license agreements with such licensees or at all. Further, such extensions, modifications or new license agreements may adversely affect our revenue on the sale of products covered by the license prior to any extension, modification or new license.

Delays in renewing or an inability to renew existing license agreements could cause our revenue and cash flow to decline.

Many of our license agreements have fixed terms. Although we endeavor to renew license agreements with fixed terms prior to the expiration of the license agreements, due to various factors, including the technology and business needs and competitive positions of our licensees and, at times, reluctance on the part of our licensees to participate in renewal discussions, we may not be able to renegotiate the license agreements on acceptable terms before the expiration of the license agreement, on acceptable terms after the expiration of the license agreement, or at all. If there is a delay in renegotiating and renewing a license agreement prior to its expiration, there could be a gap in time during which we may be unable to recognize revenue from that licensee or we may be forced to renegotiate and renew the license agreement on terms that are more favorable to such licensee, and, as a result, our revenue and cash flow could be materially adversely affected. In addition, if we fail to renegotiate and renew our license agreements at all, we could lose existing licensees, and our revenue and cash flow could be materially adversely affected.

Our industry is subject to rapid technological change, uncertainty and shifting market opportunities.

Our success depends, in part, on our ability to define and keep pace with changes in industry standards, technological developments and varying customer requirements. Changes in industry standards and needs could adversely affect the development of, and demand for, our technology, rendering our technology currently under development obsolete and unmarketable. The patents and applications comprising our portfolio have fixed terms, and, if we fail to anticipate or respond adequately to these changes through the development or acquisition of new patentable inventions, patents or other technology, we could miss a critical market opportunity, reducing or eliminating our ability to capitalize on our patents, technology solutions or both.

We face risks from doing business in international markets.

A significant portion of our licensees, potential licensees and customers are international, and our licensees, potential licensees and customers sell their products to markets throughout the world. Accordingly, we could be subject to the effects of a variety of uncontrollable and changing factors, including, but not limited to: difficulty in protecting our intellectual property in foreign jurisdictions; enforcing contractual commitments in foreign jurisdictions or against foreign corporations; government regulations, tariffs and other applicable trade barriers; biased enforcement of foreign laws and regulations to promote industrial or economic policies at our expense; currency control regulations and variability in the value of the U.S. dollar against foreign currency; social, economic and political instability; natural disasters, acts of terrorism, widespread illness and war; potentially adverse tax consequences; and general delays in remittance of and difficulties collecting non-U.S. payments. In addition, we also are subject to risks specific to the individual countries in which we and our licensees, potential licensees and customers do business.

Concentration and consolidation in the wireless communications industry could adversely affect our business.

There is some concentration among participants in the wireless communications industry, and the industry has experienced consolidation of participants and sales of participants or their businesses, and these trends may continue. For example, in 2016, Samsung, Apple and Huawei collectively accounted for approximately 40% of worldwide shipments of 3G and 4G handsets. Any further concentration or sale within the wireless industry among handset providers and/or original design manufacturers ("ODMs") may reduce the number of licensing opportunities or, in some instances, result in the reduction, loss or elimination of existing royalty obligations. In addition, acquisitions of or consolidation among ODMs could cause handset providers who outsource manufacturing to make supply chain changes, which in turn could result in the reduction, loss or elimination of existing royalty obligations (for example, if manufacturing is moved from an ODM with which we have a patent license agreement to an ODM with which we do not). Further, if wireless carriers consolidate with companies that utilize technologies that are competitive with our technologies or that are not covered by our patents, we could lose market opportunities, which could negatively impact our revenues and financial condition.

Our use of open source software could materially adversely affect our business, financial condition, operating results and cash flow.

Certain of our technology and our suppliers' technology may contain or may be derived from "open source" software, which, under certain open source licenses, may offer accessibility to a portion of a product's source code and may expose related intellectual property to adverse licensing conditions. Licensing of such technology may impose certain obligations on us if we were to distribute derivative works of the open source software. For example, these obligations may require us to make source code for derivative works available or license such derivative works under a particular type of license that is different from what we customarily use to license our technology. While we believe we have taken appropriate steps and employ adequate controls to protect our intellectual property rights, our use of open source software presents risks that, if we inappropriately use open source software, we may be required to re-engineer our technology, discontinue the sale of our technology, release the source code of our proprietary technology to the public at no cost or take other remedial actions, which could adversely affect our business, operating results and financial condition. There is a risk that open source licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our solutions, which could adversely affect our business, operating results and financial condition. In addition, developing open source products, while adequately protecting the intellectual property rights upon which our licensing business depends, may prove burdensome and time-consuming under certain circumstances, thereby placing us at a competitive disadvantage.

Our commercialization activities could lead to patent exhaustion or implied license issues that could materially adversely affect our business.

The legal doctrines of patent exhaustion and implied license may be subject to different judicial interpretations. Our commercialization of certain technologies could potentially lead to patent exhaustion or implied license issues that could adversely affect our patent licensing program and limit our ability to derive licensing revenue from certain patents under such program. In the event of successful challenges by current or prospective licensees based on these doctrines that result in a material decrease to our patent licensing revenue, our financial condition and operating results may be materially adversely affected.

Changes to our tax assets or liabilities could have an adverse effect on our consolidated financial condition or results of operations.

The calculation of tax assets and liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws. We are subject to examinations by the Internal Revenue Service (IRS) and other taxing jurisdictions on various tax matters, including challenges to various positions we assert in our filings and foreign tax liability and withholding. Pursuant to the guidance for accounting for

uncertainty in income taxes, certain tax contingencies are recognized when they are determined to be more likely than not to occur. Although we believe we have adequately recorded tax assets and accrued for tax contingencies that meet this criterion, we may not fully recover our tax assets or may be required to pay taxes in excess of the amounts we have accrued. As of December 31, 2016 and 2015, there were certain tax contingencies that did not meet the applicable criteria to record an accrual. In the event that the IRS or another taxing jurisdiction levies an assessment in the future, it is possible the assessment could have an adverse effect on our consolidated financial condition or results of operations.

It can be difficult for us to verify royalty amounts owed to us under our per-unit licensing agreements, and this may cause us to lose potential revenue.

The standard terms of our per-unit license agreements require our licensees to document the sale of licensed products and report this data to us on a quarterly basis. Although our standard license terms give us the right to audit books and records of our licensees to verify this information, audits can be expensive, time consuming, incomplete and subject to dispute. From time to time, we audit certain of our licensees to verify independently the accuracy of the information contained in their royalty reports in an effort to decrease the likelihood that we will not receive the royalty revenues to which we are entitled under the terms of our license agreements, but we cannot give assurances that these audits will be numerous enough and/or effective to that end.

We may experience difficulties implementing our new enterprise resource planning ("ERP") system.

We plan to implement a new enterprise resource planning ("ERP") system over the next year. The ERP system is designed to efficiently maintain our books and records and provide information important to the operation of our business to our management team. Implementation of the new system is highly dependent on coordination of multiple software and system providers and internal business teams. We may experience difficulties as we transition to the new ERP system and processes, including loss or corruption of data, decreases in productivity as our personnel implement and become familiar with new systems and increased costs. In addition, transitioning to the new ERP system requires significant investment of financial and human resources. While we have invested significant resources in planning and project management and plan to maintain our existing ERP system for a period of time, significant implementation issues may arise with respect to the new ERP system. Difficulties in implementing the new system or significant system failures could disrupt our operations or lead to a delay or error in financial reporting, which could have a material adverse effect on our capital resources, financial condition or results of operations.

The high amount of capital required to obtain radio frequency licenses, deploy and expand wireless networks and obtain new subscribers could slow the growth of the wireless communications industry and adversely affect our business.

Our growth is dependent upon the increased use of wireless communications services that utilize our technology. In order to provide wireless communications services, wireless operators must obtain rights to use specific radio frequencies. The allocation of frequencies is regulated in the United States and other countries throughout the world, and limited spectrum space is allocated to wireless communications services. Industry growth may be affected by the amount of capital required to obtain licenses to use new frequencies, deploy wireless networks to offer voice and data services, expand wireless networks to grow voice and data services and obtain new subscribers. The significant cost of licenses, wireless networks and subscriber additions may slow the growth of the industry if wireless operators are unable to obtain or service the additional capital necessary to implement or expand advanced wireless networks. The growth of our business could be adversely affected if this occurs.

Market projections and data are forward-looking in nature.

Our strategy is based on our own projections and on analyst, industry observer and expert projections, which are forward-looking in nature and are inherently subject to risks and uncertainties. The validity of their and our

assumptions, the timing and scope of wireless markets, economic conditions, customer buying patterns, timeliness of equipment development, pricing of products, growth in wireless telecommunications services that would be delivered on wireless devices and availability of capital for infrastructure improvements could affect these predictions. In addition, market data upon which we rely is based on third party reports that may be inaccurate. The inaccuracy of any of these projections and/or market data could adversely affect our operating results and financial condition.

We face competition from companies developing other or similar technologies.

We face competition from companies developing other and similar technologies that are competitive with our products and solutions that we may market or set forth into the standards-setting arena. Due to competing products and solutions, our products and solutions may not find a viable commercial marketplace or, where applicable, be adopted by the relevant standards. In addition, in licensing our patent portfolio, we may compete with other companies, many of whom also claim to hold essential patents, for a share of the royalties that certain licensees may argue to be the total royalty that is supported by a certain product or products. In any device or piece of equipment that contains intellectual property, the manufacturer may need to obtain a license from multiple holders of intellectual property. To the extent that multiple parties all seek royalties on the same product, the manufacturers could claim to have difficulty in meeting the financial requirements of each patent holder.

Our technology development activities may experience delays.

We may experience technical, financial, resource or other difficulties or delays related to the further development of our technologies. Delays may have adverse financial effects and may allow competitors with comparable technology offerings to gain an advantage over us in the marketplace or in the standards setting arena. There can be no assurance that we will continue to have adequate staffing or that our development efforts will ultimately be successful. Moreover, certain of our technologies have not been fully tested in commercial use, and it is possible that they may not perform as expected. In such cases, our business, financial condition and operating results could be adversely affected, and our ability to secure new licensees and other business opportunities could be diminished.

We rely on relationships with third parties to develop and deploy technology solutions.

Successful exploitation of our technology solutions is partially dependent on the establishment and success of relationships with equipment producers and other industry participants. Delays or failure to enter into licensing or other relationships to facilitate technology development efforts or delays or failure to enter into technology licensing agreements to secure integration of additional functionality could impair our ability to introduce into the market portions of our technology and resulting products, cause us to miss critical market windows or impair our ability to remain competitive.

Our business may be adversely affected if third parties assert that we violate their intellectual property rights with respect to products and/or solutions that we sell or license.

Third parties may claim that we or our customers are infringing upon their intellectual property rights with respect to products and/or solutions we sell or license. Even if we believe that such claims are without merit, they can be time-consuming and costly to defend against and may divert management's attention and resources away from our business. Furthermore, third parties making such claims may be able to obtain injunctive or other equitable relief that could block our ability to further develop or commercialize some of our technologies or services in the United States and abroad and could cause us to stop selling, delay shipments of, or redesign our products. Claims of intellectual property infringement also might require us to enter into costly settlement or license agreements or pay costly damage awards. Even if we have an agreement that provides for a third party to indemnify us against such costs, the indemnifying party may be unable or unwilling to perform its contractual

obligations. If we cannot use valid IP that we infringe at all or on reasonable terms, or substitute similar non-infringing technology from another source, our business, financial position, results of operations or cash flows could be adversely affected.

We may be subject to warranty and/or product liability claims with respect to our products, which could be time-consuming and costly to defend and could expose us to loss and reputational damage.

We may be subject to claims if customers of our product offerings are injured or experience failures or other quality issues. We may from time to time be subject to warranty and product liability claims with regard to product performance and our services. We could incur losses as a result of warranty, support, repair or replacement costs in response to customer complaints or in connection with the resolution of contemplated or actual legal proceedings relating to such claims. In addition to potential losses arising from claims and related legal proceedings, warranty and product liability claims could affect our reputation and our relationship with customers.

Our engineering services business could subject us to specific costs and risks that we might fail to manage adequately.

We derive a portion of our revenues from engineering services. Any mismanagement of, or negative development in, a number of areas, including, among others, the perceived value of our intellectual property portfolio, our ability to convince customers of the value of our engineering services and our reputation for performance under our service contracts, could cause our revenues from engineering services to decline, damage our reputation and harm our ability to attract future licensees, which would in turn harm our operating results. If we fail to deliver as required under our service contracts, we could lose revenues and become subject to liability for breach of contract. We need to monitor these services adequately in order to ensure that we do not incur significant expenses without generating corresponding revenues. Our failure to monitor these services adequately may harm our business, financial position, results of operations or cash flows.

Currency fluctuations could negatively affect future product sales or royalty revenues or increase the U.S. dollar cost of our activities and international strategic investments.

We are exposed to risk from fluctuations in currencies, which may change over time as our business practices evolve, that could impact our operating results, liquidity and financial condition. We operate and invest globally. Adverse movements in currency exchange rates may negatively affect our business due to a number of situations, including the following:

- If the effective price of products sold by our licensees were to increase as a result of fluctuations in the exchange rate of the relevant currencies, demand for the products could fall, which in turn would reduce our royalty revenues.
- Assets or liabilities of our consolidated subsidiaries may be subject to the effects of currency fluctuations, which may affect our reported earnings. Our exposure to foreign currencies may increase as we expand into new markets.
- Certain of our operating and investing costs, such as foreign patent prosecution, are based in foreign currencies. If these costs are not subject to foreign exchange hedging transactions, strengthening currency values in selected regions could adversely affect our near-term operating expenses, investment costs and cash flows. In addition, continued strengthening of currency values in selected regions over an extended period of time could adversely affect our future operating expenses, investment costs and cash flows.
- If as a result of tax treaty procedures, the U.S. government reaches an agreement with certain foreign governments to whom we have paid foreign taxes, resulting in a partial refund of foreign taxes paid with a related reduction in our foreign tax credits, such agreement could result in foreign currency gain or loss.

Our business and operations could suffer in the event of security breaches.

Attempts by others to gain unauthorized access to information technology systems are becoming more sophisticated. These attempts, which in some cases could be related to industrial or other espionage, include covertly introducing malware to computers and networks and impersonating authorized users, among others. We seek to detect and investigate all security incidents and to prevent their recurrence, but, in some cases, we might be unaware of an incident or its magnitude and effects. While we have not identified any material incidents of unauthorized access to date, the theft, unauthorized use or publication of our intellectual property and/or confidential business or personal information (whether through a breach of our own systems or the breach of a system of a third party that provides services to us) could harm our competitive or negotiating positions, reduce the value of our investment in research and development and other strategic initiatives, compromise our patent enforcement strategies or outlook, damage our reputation or otherwise adversely affect our business. In addition, to the extent that any future security breach results in inappropriate disclosure of our employees', licensees', or customers' confidential and /or personal information, we may incur liability or additional costs to remedy any damages caused by such breach. We could also be impacted by existing and proposed laws and regulations, as well as government policies and practices related to cybersecurity, privacy and data protection.

If wireless handsets are perceived to pose health and safety risks, demand for products of our licensees could decrease.

Media reports and certain studies have suggested that radio frequency emissions from wireless handsets may be linked to health concerns, such as brain tumors, other malignancies and genetic damage to blood, and may interfere with electronic medical devices, such as pacemakers, telemetry and delicate medical equipment. Growing concerns over radio frequency emissions, even if unfounded, could discourage the use of wireless handsets and cause a decrease in demand for the products of our licensees. In addition, concerns over safety risks posed by the use of wireless handsets while driving and the effect of any resulting legislation could reduce demand for the products of our licensees.

Risks Relating to Our Common Stock and the 2020 Notes

The price of our common stock is volatile and may decline regardless of our operating performance.

Historically, we have had large fluctuations in the price of our common stock, and such fluctuations could continue. From January 2, 2014 to February 21, 2017, the trading price of our common stock has ranged from a low of $26.25 per share to a high of $102.30 per share. The market price for our common stock is volatile and may fluctuate significantly in response to a number of factors, most of which we cannot control, including:

- the public's response to press releases or other public announcements by us or third parties, including our filings with the SEC and announcements relating to licensing, technology development, litigation, arbitration and other legal proceedings in which we are involved and intellectual property impacting us or our business;
- announcements concerning strategic transactions, such as commercial initiatives, joint ventures, strategic investments, acquisitions or divestitures;
- financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- changes in GAAP, including new accounting standards that may materially affect our revenue recognition;
- changes in financial estimates or ratings by any securities analysts who follow our common stock, our failure to meet these estimates or failure of those analysts to initiate or maintain coverage of our common stock;
- investor perceptions as to the likelihood of achievement of near-term goals;

- changes in market share of significant licensees;
- changes in operating performance and stock market valuations of other wireless communications companies generally; and
- market conditions or trends in our industry or the economy as a whole.

In the past, shareholders have instituted securities class action litigation following periods of market volatility. If we were involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.

Our indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations under such indebtedness.

Our total indebtedness as of December 31, 2016 was approximately $316.0 million. This level of debt could have significant consequences on our future operations, including:

- making it more difficult for us to meet our payment and other obligations under our 1.50% Senior Convertible Notes due 2020 (the “2020 Notes”);
- reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the 2020 Notes.

Our ability to meet our payment and other obligations under the 2020 Notes depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot be certain that our business will generate cash flow from operations, or that future borrowings will be available to us, in an amount sufficient to enable us to meet our payment obligations under the 2020 Notes and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, including the 2020 Notes, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the 2020 Notes, and this default could cause us to be in default on any other currently existing or future outstanding indebtedness.

Our shareholders may not receive the level of dividends provided for in our dividend policy or any dividend at all, and any decrease in or suspension of the dividend could cause our stock price to decline.

Our current dividend policy, contemplates the payment of a regular quarterly cash dividend of $0.30 per share on our outstanding common stock. We expect to continue to pay quarterly cash dividends on our common stock at the rate set forth in our current dividend policy. However, the dividend policy and the payment and timing of future cash dividends under the policy are subject to the final determination each quarter by our Board of Directors that (i) the dividend will be made in compliance with laws applicable to the declaration and payment of cash dividends, including Section 1551(b) of the Pennsylvania Business Corporation Law, and (ii) the policy remains in our best interests, which determination will be based on a number of factors, including our earnings, financial condition, capital resources and capital requirements, alternative uses of capital, restrictions imposed by

any existing debt, economic conditions and other factors considered relevant by the Board of Directors. Given these considerations, our Board of Directors may increase or decrease the amount of the dividend at any time and may also decide to vary the timing of or suspend or discontinue the payment of cash dividends in the future. Any decrease in the amount of the dividend, or suspension or discontinuance of payment of a dividend, could cause our stock price to decline.

If securities or industry analysts fail to continue publishing research about our business, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

The convertible note hedge transactions and warrant transactions that we entered into in connection with the offering of the 2020 Notes may affect the value of the 2020 Notes and the market price of our common stock.

In connection with each offering of the 2020 Notes, we entered into convertible note hedge transactions with certain financial institutions (the "option counterparties") and sold warrants to the option counterparties. These transactions will be accounted for as an adjustment to our shareholders' equity. The convertible note hedge transactions are expected to reduce the potential equity dilution upon conversion of the 2020 Notes. The warrants will have a dilutive effect on our earnings per share to the extent that the market price of our common stock exceeds the applicable strike price of the warrants on any expiration date of the warrants.

In connection with establishing their initial hedge of these transactions, the option counterparties (and/or their affiliates) purchased our common stock in open market transactions and/or privately negotiated transactions and/or entered various cash-settled derivative transactions with respect to our common stock concurrently with, or shortly after, the pricing of the 2020 Notes. These activities could have the effect of increasing (or reducing the size of any decrease in) the price of our common stock concurrently with or following the pricing of the 2020 Notes. In addition, the option counterparties (and/or their affiliates) may modify their respective hedge positions from time to time (including during any observation period related to a conversion of the 2020 Notes) by entering into or unwinding various derivative transactions with respect to our common stock and/or by purchasing or selling our common stock in open market transactions and/or privately negotiated transactions.

The potential effect, if any, of any of these transactions and activities on the market price of our common stock will depend in part on market conditions and cannot be ascertained at this time, but any of these activities could adversely affect the market price of our common stock.

Future sales or other dilution of our equity could depress the market price of our common stock.

Sales of our common stock in the public market, or the perception that such sales could occur, could negatively impact the market price of our common stock. We also have several institutional shareholders that own significant blocks of our common stock. If one or more of these shareholders were to sell large portions of their holdings in a relatively short time, for liquidity or other reasons, the prevailing market price of our common stock could be negatively affected.

Under certain circumstances, shares of our common stock could be issued upon conversion of the 2020 Notes, which would dilute the ownership interest of our existing shareholders. In addition, the issuance of additional common stock, or issuances of securities convertible into or exercisable for our common stock or other equity linked securities, including preferred stock or warrants, would dilute the ownership interest of our common shareholders and could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

Approved stock repurchase programs may not result in a positive return of capital to shareholders.

Our board-approved stock repurchase program may not return value to shareholders because the market price of the stock may decline significantly below the levels at which we repurchased shares of stock. Stock repurchase programs are intended to deliver shareholder value over the long term, but stock price fluctuations can reduce the effectiveness of such programs.

Provisions of the 2020 Notes could discourage an acquisition of us by a third party.

Certain provisions of the 2020 Notes could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change, holders of the 2020 Notes will have the right, at their option, to require us to repurchase all of their 2020 Notes or any portion of the principal amount of such 2020 Notes in integral multiples of $1,000. We may also be required to issue additional shares upon conversion in the event of certain fundamental change transactions. These provisions could limit the price that some investors might be willing to pay in the future for shares of our common stock.

We are subject to counterparty risk with respect to the convertible note hedge transactions.

The option counterparties are financial institutions or affiliates of financial institutions, and we will be subject to the risk that the option counterparties may default under the respective convertible note hedge transactions. Our exposure to the credit risk of the option counterparties is not secured by any collateral. Recent global economic conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the convertible note hedge transactions. Our exposure will depend on many factors but, generally, the increase in our exposure will be correlated to the increase in our common stock market price and in volatility of our common stock. In addition, upon a default by an option counterparty, we may suffer adverse tax consequences and dilution with respect to our common stock. We can provide no assurance as to the financial stability or viability of the option counterparties.

The accounting method for convertible debt securities, such as the 2020 Notes, could have a material adverse effect on our reported financial results.

In May 2008, the FASB, issued ASC 470-20. Under ASC 470-20, an entity must separately account for the liability and equity components of convertible debt instruments, such as the 2020 Notes, that may be settled partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. ASC 470-20 requires the fair value of the conversion option of the 2020 Notes be reported as a component of shareholders' equity and included in the additional paid-in-capital on our consolidated balance sheet. The value of the conversion option of the 2020 Notes will be reported as discount to the 2020 Notes. We will report lower net income in our financial results because ASC 470-20 will require interest to include both the current period's amortization of the debt discount (non-cash interest) and the instrument's cash interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the 2020 Notes.

Item 1B. ***UNRESOLVED STAFF COMMENTS.***

None.

Item 2. ***PROPERTIES.***

Our headquarters are located in Wilmington, Delaware, USA. Our research and development activities are conducted primarily in facilities located in Conshohocken, Pennsylvania, USA; Melville, New York, USA; Rockville, Maryland, USA; San Diego, California, USA; and Montreal, Quebec, Canada.

The following table sets forth information with respect to our principal properties:

Location	Approximate Square Feet	Principal Use	Lease Expiration Date
Melville, New York	44,800	Office and research space	February 2020
Wilmington, Delaware	36,200	Corporate headquarters	November 2022
Conshohocken, Pennsylvania	30,300	Office and research space	October 2026
Montreal, Quebec	17,300	Office and research space	June 2021
Rockville, Maryland	16,700	Office and research space (Hillcrest Labs)	February 2018
San Diego, California	11,800	Office and research space	April 2018

We are also a party to leases for several smaller spaces, including our offices in London, England, United Kingdom, and Seoul, South Korea, that contain office and research space. In addition, we own a building in Washington, District of Columbia, USA, that houses administrative office space.

We believe that the facilities described above are suitable and adequate for our present purposes and our needs in the near future.

Item 3. *LEGAL PROCEEDINGS.*

ARBITRATIONS AND COURT PROCEEDINGS (OTHER THAN DE DISTRICT COURT ACTIONS RELATED TO USITC PROCEEDINGS)

Huawei China Proceedings

On February 21, 2012, InterDigital was served with two complaints filed by Huawei Technologies Co., Ltd. in the Shenzhen Intermediate People's Court in China on December 5, 2011. The first complaint named as defendants InterDigital, Inc. and its wholly owned subsidiaries InterDigital Technology Corporation and InterDigital Communications, LLC (now InterDigital Communications, Inc.), and alleged that InterDigital had abused its dominant market position in the market for the licensing of essential patents owned by InterDigital by engaging in allegedly unlawful practices, including differentiated pricing, tying and refusal to deal. The second complaint named as defendants the Company's wholly owned subsidiaries InterDigital Technology Corporation, InterDigital Communications, LLC (now InterDigital Communications, Inc.), InterDigital Patent Holdings, Inc. and IPR Licensing, Inc. and alleged that InterDigital had failed to negotiate on FRAND terms with Huawei. Huawei asked the court to determine the FRAND rate for licensing essential Chinese patents to Huawei and also sought compensation for its costs associated with this matter.

On February 4, 2013, the Shenzhen Intermediate People's Court issued rulings in the two proceedings. With respect to the first complaint, the court decided that InterDigital had violated the Chinese Anti-Monopoly Law by (i) making proposals for royalties from Huawei that the court believed were excessive, (ii) tying the licensing of essential patents to the licensing of non-essential patents, (iii) requesting as part of its licensing proposals that Huawei provide a grant-back of certain patent rights to InterDigital and (iv) commencing a USITC action against Huawei while still in discussions with Huawei for a license. Based on these findings, the court ordered InterDigital to cease the alleged excessive pricing and alleged improper bundling of InterDigital's Chinese essential and non-essential patents, and to pay Huawei 20.0 million RMB (approximately $3.2 million) in damages related to attorneys' fees and other charges, without disclosing a factual basis for its determination of damages. The court dismissed Huawei's remaining allegations, including Huawei's claim that InterDigital improperly sought a worldwide license and improperly sought to bundle the licensing of essential patents on multiple generations of technologies. With respect to the second complaint, the court determined that, despite the fact that the FRAND requirement originates from ETSI's Intellectual Property Rights policy, which refers to French law, InterDigital's license offers to Huawei should be evaluated under Chinese law. Under Chinese law, the court concluded that the offers did not comply with FRAND. The court further ruled that the royalties to be

paid by Huawei for InterDigital's 2G, 3G and 4G essential Chinese patents under Chinese law should not exceed 0.019% of the actual sales price of each Huawei product.

On March 11, 2013, InterDigital filed notices of appeal with respect to the judgments in both proceedings, seeking reversal of the court's February 4, 2013 rulings. On October 16, 2013, the Guangdong Province High Court issued a ruling affirming the ruling of the Shenzhen Intermediate People's Court in the second proceeding, and on October 21, 2013, issued a ruling affirming the ruling of the Shenzhen Intermediate People's Court in the first proceeding.

InterDigital believes that the decisions are seriously flawed both legally and factually. For instance, in determining a purported FRAND rate, the Chinese courts applied an incorrect economic analysis by evaluating InterDigital's lump-sum 2007 patent license agreement with Apple (the "2007 Apple PLA") in hindsight to posit a running royalty rate. Indeed, the ALJ in USITC Inv. No. 337-TA-800 rejected that type of improper analysis. Moreover, the Chinese courts had an incomplete record and applied incorrect facts, including with respect to the now-expired and superseded 2007 Apple PLA, which had been found in an arbitration between InterDigital and Apple to be limited in scope.

On April 14, 2014, InterDigital filed a petition for retrial of the second proceeding with the Chinese Supreme People's Court ("SPC"), seeking dismissal of the judgment or at least a higher, market-based royalty rate for a license to InterDigital's Chinese standards-essential patents ("SEPs"). The petition for retrial argues, for example, that (1) the lower court improperly determined a Chinese FRAND running royalty rate by using as a benchmark the 2007 Apple lump sum fixed payment license agreement, and looking in hindsight at the unexpectedly successful sales of Apple iPhones to construct an artificial running royalty rate that neither InterDigital nor Apple could have intended and that would have varied significantly depending on the relative success or failure in hindsight of Apple iPhone sales; (2) the 2007 Apple PLA was also an inappropriate benchmark because its scope of product coverage was significantly limited as compared to the license that the court was considering for Huawei, particularly when there are other more comparable license agreements; and (3) if the appropriate benchmarks had been used, and the court had considered the range of royalties offered by other similarly situated SEP holders in the wireless telecommunications industry, the court would have determined a FRAND royalty that was substantially higher than 0.019%, and would have found, consistent with findings of the ALJ's initial determination in the USITC 337-TA-800 proceeding, that there was no proof that InterDigital's offers to Huawei violated its FRAND commitments.

The SPC held a hearing on October 31, 2014, regarding whether to grant a retrial and requested that both parties provide additional information regarding the facts and legal theories underlying the case. The SPC convened a second hearing on April 1, 2015 regarding whether to grant a retrial. If the retrial is granted, the SPC will likely schedule one or more additional hearings before it issues a decision on the merits of the case. The SPC retrial proceeding was excluded from the dismissal provisions of the August 2016 patent license agreement between Huawei and InterDigital, and a decision in this proceeding is still pending.

ZTE China Proceedings

On July 10 and 11, 2014, InterDigital was served with two complaints filed by ZTE Corporation in the Shenzhen Intermediate People's Court in China on April 3, 2014. The first complaint names as defendants the Company's wholly owned subsidiaries InterDigital Technology Corporation, InterDigital Communications, Inc., InterDigital Patent Holdings, Inc. and IPR Licensing, Inc. This complaint alleges that InterDigital has failed to comply with its FRAND obligations for the licensing of its Chinese standards-essential patents. ZTE is asking the court to determine the FRAND rate for licensing InterDigital's standards-essential Chinese patents to ZTE and also seeks compensation for its litigation costs associated with this matter. The second complaint names as defendants InterDigital, Inc. and its wholly owned subsidiaries InterDigital Technology Corporation and InterDigital Communications, Inc. This complaint alleges that InterDigital has a dominant market position in China and the United States in the market for the licensing of essential patents owned by InterDigital, and abused

its dominant market position in violation of the Chinese Anti-Monopoly Law by engaging in allegedly unlawful practices, including excessively high pricing, tying, discriminatory treatment, and imposing unreasonable trading conditions. ZTE seeks relief in the amount of 20.0 million RMB (approximately $2.9 million based on the exchange rate as of December 31, 2016), an order requiring InterDigital to cease the allegedly unlawful conduct and compensation for its litigation costs associated with this matter.

On August 7, 2014, InterDigital filed petitions challenging the jurisdiction of the Shenzhen Intermediate People's Court to hear the actions. On August 28, 2014, the court denied InterDigital's jurisdictional challenge with respect to the anti-monopoly law case. InterDigital filed an appeal of this decision on September 26, 2014. On September 28, 2014, the court denied InterDigital's jurisdictional challenge with respect to the FRAND case, and InterDigital filed an appeal of that decision on October 27, 2014. On December 18, 2014, the Guangdong High Court issued decisions on both appeals upholding the Shenzhen Intermediate Court's decisions that it had jurisdiction to hear these cases. On February 10, 2015, InterDigital filed a petition for retrial with the Supreme People's Court regarding its jurisdictional challenges to both cases.

The Shenzhen Court held hearings on the anti-monopoly law case on May 11, 13, 15 and 18, 2015. At the May hearings, ZTE withdrew its claims alleging discriminatory treatment and the imposition of unfair trading conditions and increased its damages claim to 99.8 million RMB (approximately $14.4 million based on the exchange rate as of December 31, 2016). The Shenzhen Court held hearings in the FRAND case on July 29-31, 2015 and held a second hearing on the anti-monopoly law case on October 12, 2015. Both cases remain pending. It is possible that the court may schedule further hearings in these cases before issuing its decisions.

The Company has not recorded any accrual at December 31, 2016 for contingent losses associated with these matters based on its belief that losses, while reasonably possible, are not probable in accordance with accounting guidance.

Pegatron Actions

In first quarter 2015, we learned that on or about February 3, 2015, Pegatron Corporation ("Pegatron") filed a civil suit in Taiwan Intellectual Property Court against InterDigital, Inc. and certain of its subsidiaries alleging breach of the Taiwan Fair Trade Act (the "Pegatron Taiwan Action"). Pegatron and InterDigital entered into a patent license agreement in April 2008 (the "Pegatron PLA"). Pegatron was a subsidiary of Asustek Computer Incorporated until the completion of its spin-off from Asustek in June 2010. On May 26, 2015, InterDigital, Inc. received a copy of the civil complaint filed by Pegatron in the Taiwan Intellectual Property Court. The complaint named as defendants InterDigital, Inc. as well as InterDigital's wholly owned subsidiaries InterDigital Technology Corporation and IPR Licensing, Inc. (together, for purposes of this discussion, "InterDigital"). The complaint alleged that InterDigital abused its market power by improperly setting, maintaining or changing the royalties Pegatron is required to pay under the Pegatron PLA, and engaging in unreasonable discriminatory treatment and other unfair competition activities in violation of the Taiwan Fair Trade Act. The complaint sought minimum damages in the amount of approximately $52 million, which amount could be expanded during the litigation, and that the court order multiple damages based on its claim that the alleged conduct was intentional. The complaint also sought an order requiring InterDigital to cease enforcing the royalty provisions of the Pegatron PLA, as well as all other conduct that allegedly violates the Fair Trade Act.

On June 5, 2015 InterDigital filed an Arbitration Demand with the American Arbitration Association's International Centre for Dispute Resolution ("ICDR") seeking declaratory relief denying all of the claims in Pegatron's Taiwan Action and for breach of contract. On or about June 10, 2015, InterDigital filed a complaint in the United States District Court for the Northern District of California, San Jose Division (the "CA Northern District Court") seeking a Temporary Restraining Order, Preliminary Injunction, and Permanent Anti-suit Injunction against Pegatron prohibiting Pegatron from prosecuting the Pegatron Taiwan Action. The complaint also seeks specific performance by Pegatron of the dispute resolution procedures set forth in the Pegatron PLA and compelling arbitration of the disputes in the Pegatron Taiwan Action. On June 29, 2015, the court granted

InterDigital's motion for a temporary restraining order and preliminary injunction requiring Pegatron take immediate steps to dismiss the Taiwan Action without prejudice. On July 1, 2015, InterDigital was informed that Pegatron had withdrawn its complaint in the Taiwan Intellectual Property Court and that the case had been dismissed without prejudice.

On August 3, 2015, Pegatron filed an answer and counterclaims to InterDigital's CA Northern District Court complaint. Pegatron accused InterDigital of violating multiple sections of the Taiwan Fair Trade Act, violating Section Two of the Sherman Act, breaching ETSI, IEEE, and ITU contracts, promissory estoppel (pled in the alternative), violating Section 17200 of the California Business & Professions Code, and violating the Delaware Consumer Fraud Act. These counterclaims stem from Pegatron's accusation that InterDigital violated FRAND obligations. As relief, Pegatron seeks a declaration regarding the appropriate FRAND terms and conditions for InterDigital's "declared essential patents," a declaration that InterDigital's standard essential patents are unenforceable due to patent misuse, an order requiring InterDigital to grant Pegatron a license on FRAND terms, an order enjoining InterDigital's alleged ongoing breaches of its FRAND commitments, and damages in the amount of allegedly excess non-FRAND royalties Pegatron has paid to InterDigital, plus interest and treble damages. On August 7, 2015, Pegatron responded to InterDigital's arbitration demand, disputing the arbitrability of Pegatron's claims. On September 24, 2015, InterDigital moved to compel arbitration and dismiss Pegatron's counterclaims or, in the alternative, stay the counterclaims pending the parties' arbitration. Pegatron's opposition to this motion was filed on October 22, 2015, and InterDigital's reply was filed on November 12, 2015. On January 20, 2016, the court granted InterDigital's motion to compel arbitration of Pegatron's counterclaims and to stay the counterclaims pending the arbitrators' determination of their arbitrability. On January 27, 2016, the parties stipulated to stay all remaining aspects of the CA Northern District case pending such an arbitrability determination. On the same day, the court granted the stay and administratively closed the case. The arbitration remains pending.

Asustek Actions

On April 15, 2015, Asustek Computer Incorporated ("Asus") filed a complaint in the CA Northern District Court against InterDigital, Inc., and its subsidiaries InterDigital Communications, Inc., InterDigital Technology Corporation, IPR Licensing, Inc., and InterDigital Patent Holdings, Inc. The complaint asserted the following causes of action: violation of Section Two of the Sherman Act, violation of Section 17200 of the California Business and Professions Code, breach of contract resulting from ongoing negotiations, breach of contract leading to and resulting in the parties' April 2008 patent license agreement (the "2008 Asus PLA"), promissory estoppel, waiver, and fraudulent inducement to contract. Among other allegations, Asus alleged that InterDigital breached its FRAND commitment. As relief, Asus sought a judgment that the 2008 Asus PLA is void or unenforceable, damages in the amount of excess royalties Asus paid under the 2008 Asus PLA plus interest, a judgment setting the proper FRAND terms and conditions for InterDigital's patent portfolio, an order requiring InterDigital to grant Asus a license on FRAND terms and conditions, and punitive damages and other relief.

In response, on May 30, 2015, InterDigital filed an Arbitration Demand with the ICDR. InterDigital claimed that Asus breached the 2008 Asus PLA's dispute resolution provision by filing its CA Northern District Court lawsuit and sought declaratory relief that it is not liable for any of the claims in Asus's complaint. On June 2, 2015, InterDigital filed in the CA Northern District Court a motion to compel arbitration on each of Asus's claims. On August 25, 2015, the court granted InterDigital's motion for all of Asus's claims except its claim for breach of contract resulting from ongoing negotiations. Aside from this claim, the court ruled that the issue of arbitrability should be decided by an arbitrator, and stayed the proceedings pending that determination.

Asus asserted counterclaims in the arbitration that mirrored its CA Northern District Court claims, except that it did not assert the breach of contract claim that the court determined was not arbitrable and it added a claim of violation of the Delaware Consumer Fraud Act. Asus also contended that its counterclaims were not arbitrable. InterDigital added a claim for breach of the 2008 Asus PLA's confidentiality provision.

On July 14, 2016, Asus filed a motion to lift the stay in the CA Northern District Court proceeding along with a notice of the arbitral tribunal's decision on arbitrability, informing the court of the arbitrators' decision that, other than InterDigital's breach of contract claims and Asus's fraudulent inducement claim, no other claim or counterclaim is arbitrable. Asus then filed in the CA Northern District Court an amended complaint on August 18, 2016. This amended complaint includes all of the claims in Asus's first CA Northern District Court complaint except fraudulent inducement and adds a claim of violation of the Delaware Consumer Fraud Act. It seeks the same relief as its first CA Northern District Court complaint, but also seeks a ruling that each of InterDigital's patents "declared [to standards-setting organizations] to be essential or potentially essential" is unenforceable and any contracts InterDigital entered into in furtherance of its unlawful conduct are void. On September 8, 2016, InterDigital filed its answer and counterclaims to Asus' amended complaint. It denied Asus's claims and filed a counterclaim for declaratory judgment that Asus's tort claims are invalid or preempted as applied under the First Amendment to the U.S. Constitution, the Patent Clause of the U.S. Constitution, and Title 35 of the U.S. Code. On September 28, 2016, Asus answered and denied InterDigital's counterclaims. On December 16, 2016, the court set a case schedule that includes a May 2019 trial date.

With respect to its arbitration counterclaim for fraudulent inducement, Asus stated in its recent pleadings that it was seeking return of excess royalties of close to $63 million, plus interest, costs and attorneys' fees as of the time of the filing. The evidentiary hearing in the arbitration was held in January 2017. InterDigital has not yet received the arbitrators' decision.

The Company has not recorded any accrual at December 31, 2016, for contingent losses associated with these matters. While a material loss is reasonably possible, the Company cannot estimate the potential range of loss with respect to the arbitration matter given the range of possible outcomes, nor with respect to the CA Northern District Court proceeding, as this matter is not at a sufficiently advanced stage to allow for such an estimate.

Microsoft Sherman Act Delaware Proceedings

On August 20, 2015, Microsoft Mobile, Inc. and Microsoft Mobile Oy (collectively "Microsoft") filed a complaint in the United States District Court for the District of Delaware (the "Delaware District Court") against InterDigital, Inc., InterDigital Communications, Inc., InterDigital Technology Corporation, InterDigital Patent Holdings, Inc., InterDigital Holdings, Inc., and IPR Licensing, Inc. The complaint alleges that InterDigital has monopolized relevant markets for 3G and 4G cellular technology in violation of Section 2 of the Sherman Act. As relief, Microsoft seeks declaratory judgments that InterDigital has violated Section 2 of the Sherman Act, that "each of InterDigital's U.S. patents declared by it to be Essential" to the 3G and 4G standards is unenforceable, and that all agreements InterDigital has entered into in furtherance of its alleged unlawful conduct are void. Microsoft also seeks an award of treble damages and the following injunctive relief: requiring InterDigital to grant Microsoft a non-confidential license to its U.S. standards essential patents ("SEPs") on FRAND terms as determined by a court, requiring InterDigital to disclose to Microsoft the terms of its other SEP licenses, preventing InterDigital from enforcing any exclusion orders it might receive with respect to its SEPs, and requiring InterDigital to re-assign any declared SEPs that it has assigned to controlled entities.

On November 4, 2015, InterDigital filed a motion to dismiss and to strike Microsoft's complaint. A hearing on this motion was held on March 1, 2016, and on April 13, 2016, the Delaware District Court denied InterDigital's motion. On April 27, 2016, InterDigital filed a motion with the Delaware District Court to certify questions addressed in the court's April 13, 2016 decision for interlocutory appeal. The court denied InterDigital's motion for certification of interlocutory appeal on June 13, 2016.

On May 27, 2016, InterDigital filed its answer and counterclaims. InterDigital denied Microsoft's claim that InterDigital violated Section 2 of the Sherman Act and asserted several defenses. InterDigital also filed two counterclaims for declaratory judgment: (i) that Microsoft's Sherman Act claim is invalid and preempted as applied under the First Amendment of the U.S. Constitution, the Patent Clause of the U.S. Constitution, and Title

35 of the U.S. Code; and (ii) that Microsoft waived entitlement to benefit from FRAND commitments by InterDigital due to Microsoft's reverse hold-up behavior. Microsoft filed an answer to InterDigital's counterclaims on June 20, 2016. Trial is scheduled to begin in September 2018.

REGULATORY PROCEEDINGS

Investigation by Taiwan Fair Trade Commission

On December 6, 2013, InterDigital received notice from the Taiwan Fair Trade Commission ("TFTC") that the TFTC had initiated an investigation to examine alleged anti-competitive behavior under Taiwan's Fair Trade Act (FTA). Companies found to violate the FTA may be ordered to cease and rectify the unlawful conduct, take other necessary corrective action, and/or pay an administrative fine. During second quarter 2016, InterDigital was informed by its local counsel that the staff of the TFTC has completed its investigation and has forwarded its recommendations to the Commission. InterDigital is fully cooperating with the TFTC's investigation.

Investigation by National Development and Reform Commission of China

On September 23, 2013, counsel for InterDigital was informed by China's National Development and Reform Commission ("NDRC") that the NDRC had initiated a formal investigation into whether InterDigital has violated China's Anti-Monopoly Law ("AML") with respect to practices related to the licensing of InterDigital's standards-essential patents to Chinese companies. Companies found to violate the AML may be subject to a cease and desist order, fines and disgorgement of any illegal gains. On March 3, 2014, the Company submitted to NDRC, pursuant to a procedure set out in the AML, a formal application for suspension of the investigation that included proposed commitments by the Company. On May 22, 2014, NDRC formally suspended its investigation of the Company based on the commitments proposed by the Company. The Company's commitments with respect to the licensing of its patent portfolio for wireless mobile standards to Chinese manufacturers of cellular terminal units ("Chinese Manufacturers") are as follows:

1. Whenever InterDigital engages with a Chinese Manufacturer to license InterDigital's patent portfolio for 2G, 3G and 4G wireless mobile standards, InterDigital will offer such Chinese Manufacturer the option of taking a worldwide portfolio license of only its standards-essential wireless patents, and comply with F/RAND principles when negotiating and entering into such licensing agreements with Chinese Manufacturers.
2. As part of its licensing offer, InterDigital will not require that a Chinese Manufacturer agree to a royalty-free, reciprocal cross-license of such Chinese Manufacturer's similarly categorized standards-essential wireless patents.
3. Prior to commencing any action against a Chinese Manufacturer in which InterDigital may seek exclusionary or injunctive relief for the infringement of any of its wireless standards-essential patents, InterDigital will offer such Chinese Manufacturer the option to enter into expedited binding arbitration under fair and reasonable procedures to resolve the royalty rate and other terms of a worldwide license under InterDigital's wireless standards-essential patents. If the Chinese Manufacturer accepts InterDigital's binding arbitration offer or otherwise enters into an agreement with InterDigital on a binding arbitration mechanism, InterDigital will, in accordance with the terms of the arbitration agreement and patent license agreement, refrain from seeking exclusionary or injunctive relief against such company.

The commitments contained in item 3 above will expire five years from the effective date of the suspension of the investigation, or May 22, 2019.

USITC PROCEEDINGS AND RELATED DELAWARE DISTRICT COURT PROCEEDINGS

Nokia and ZTE 2013 USITC Proceeding (337-TA-868) and Related Delaware District Court Proceedings

USITC Proceeding (337-TA-868)

On January 2, 2013, the Company's wholly owned subsidiaries InterDigital Communications, Inc., InterDigital Technology Corporation, IPR Licensing, Inc. and InterDigital Holdings, Inc. filed a complaint with the United States International Trade Commission (the "USITC" or "Commission") against Samsung Electronics Co., Ltd., Samsung Electronics America, Inc. and Samsung Telecommunications America, LLC, Nokia Corporation and Nokia Inc., Huawei Technologies Co., Ltd., Huawei Device USA, Inc. and FutureWei Technologies, Inc. d/b/a Huawei Technologies (USA) and ZTE Corporation and ZTE (USA) Inc. (collectively, the "337-TA-868 Respondents"), alleging violations of Section 337 of the Tariff Act of 1930 in that they engaged in unfair trade practices by selling for importation into the United States, importing into the United States and/or selling after importation into the United States certain 3G and 4G wireless devices (including WCDMA-, cdma2000- and LTE-capable mobile phones, USB sticks, mobile hotspots, laptop computers and tablets and components of such devices) that infringe one or more of up to seven of InterDigital's U.S. patents. The complaint also extended to certain WCDMA and cdma2000 devices incorporating Wi-Fi functionality. InterDigital's complaint with the USITC sought an exclusion order that would bar from entry into the United States infringing 3G or 4G wireless devices (and components), including LTE devices, that are imported by or on behalf of the 337-TA-868 Respondents, and also sought a cease-and-desist order to bar further sales of infringing products that have already been imported into the United States. Certain of the asserted patents were also asserted against Nokia, Huawei and ZTE in earlier pending USITC proceedings (including the Nokia, Huawei and ZTE 2011 USITC Proceeding (337-TA-800) and the Nokia 2007 USITC Proceeding (337-TA-613), as set forth below) and therefore were not asserted against those 337-TA-868 Respondents in this investigation.

On December 23, 2013, InterDigital and Huawei reached a settlement agreement to enter into binding arbitration to resolve their global patent licensing disputes. Pursuant to the settlement agreement, InterDigital and Huawei moved to dismiss all litigation matters pending between the parties except the action filed by Huawei in China to set a fair, reasonable and non-discriminatory ("FRAND") rate for the licensing of InterDigital's Chinese standards-essential patents (discussed above under "Huawei China Proceedings"), the decision in which InterDigital is permitted to further appeal. As a result, effective February 12, 2014, the Huawei Respondents were terminated from the 337-TA-868 investigation.

From February 10 to February 20, 2014, ALJ Essex presided over the evidentiary hearing in this investigation. The patents in issue in this investigation as of the hearing were U.S. Patent Nos. 7,190,966 (the "'966 patent") and 7,286,847 (the "'847 patent") asserted against ZTE and Samsung, and U.S. Patent No. 7,941,151 (the "'151 patent") asserted against ZTE, Samsung and Nokia.

On June 3, 2014, InterDigital and Samsung filed a joint motion to terminate the investigation as to Samsung on the basis of settlement. The ALJ granted the joint motion by initial determination issued on June 9, 2014, and the USITC determined not to review the initial determination on June 30, 2014.

On June 13, 2014, the ALJ issued an Initial Determination ("ID") in the 337-TA-868 investigation. In the ID, the ALJ found that no violation of Section 337 had occurred in connection with the importation of 3G/4G devices by ZTE or Nokia, on the basis that the accused devices do not infringe asserted claims 1-6, 8-9, 16-21 or 23-24 of the '151 patent, claims 1, 3, 6, 8, 9, or 11 of the '966 patent, or claims 3 or 5 of the '847 patent. The ALJ also found that claim 16 of the '151 patent was invalid as indefinite. Among other determinations, the ALJ further determined that InterDigital did not violate any FRAND obligations, a conclusion also reached by the ALJ in the 337-TA-800 investigation, and that Respondents have engaged in patent "hold out."

On June 30, 2014, InterDigital filed a Petition for Review with the USITC seeking review and reversal of certain of the ALJ's conclusions in the ID. On the same day, Respondents filed a Conditional Petition for Review

urging alternative grounds for affirmance of the ID's finding that Section 337 was not violated and a Conditional Petition for Review with respect to FRAND issues.

In June 2014, Microsoft Mobile Oy ("MMO") was added as a respondent in the investigation.

On August 14, 2014, the Commission determined to review in part the June 13, 2014 ID but terminated the investigation with a finding of no violation.

On October 10, 2014, InterDigital filed a petition for review with the U.S. Court of Appeals for the Federal Circuit (the "Federal Circuit"), appealing certain of the adverse determinations in the Commission's August 8, 2014 final determination including those related to the '966 and '847 patents. On June 2, 2015, InterDigital moved to voluntarily dismiss the Federal Circuit appeal, because, even if it were to prevail, it did not believe there would be sufficient time following the court's decision and mandate for the USITC to complete its proceedings on remand such that the accused products would be excluded before the '966 and '847 patents expire in June 2016. The court granted the motion and dismissed the appeal on June 18, 2015.

Related Delaware District Court Proceedings

On January 2, 2013, the Company's wholly owned subsidiaries InterDigital Communications, Inc., InterDigital Technology Corporation, IPR Licensing, Inc. and InterDigital Holdings, Inc. filed four related district court actions in the Delaware District Court against the 337-TA-868 Respondents. These complaints allege that each of the defendants infringes the same patents with respect to the same products alleged in the complaint filed by InterDigital in USITC Proceeding (337-TA-868). The complaints seek permanent injunctions and compensatory damages in an amount to be determined, as well as enhanced damages based on willful infringement, and recovery of reasonable attorneys' fees and costs.

On January 24, 2013, Huawei filed its answer and counterclaims to InterDigital's Delaware District Court complaint. Huawei asserted counterclaims for breach of contract, equitable estoppel, waiver of right to enjoin and declarations that InterDigital has not offered or granted Huawei licenses on FRAND terms, declarations seeking the determination of FRAND terms and declarations of noninfringement, invalidity and unenforceability of the asserted patents. In addition to the declaratory relief specified in its counterclaims, Huawei seeks specific performance of InterDigital's purported contracts with Huawei and standards-setting organizations, appropriate damages in an amount to be determined at trial, reasonable attorneys' fees and such other relief as the court may deem appropriate.

On January 31, 2013, ZTE filed its answer and counterclaims to InterDigital's Delaware District Court complaint; ZTE asserted counterclaims for breach of contract, equitable estoppel, waiver of right to enjoin and declarations that InterDigital has not offered ZTE licenses on FRAND terms, declarations seeking the determination of FRAND terms and declarations of noninfringement, invalidity and unenforceability. In addition to the declaratory relief specified in its counterclaims, ZTE seeks specific performance of InterDigital's purported contracts with ZTE and standards-setting organizations, appropriate damages in an amount to be determined at trial, reasonable attorneys' fees and such other relief as the court may deem appropriate.

On February 28, 2013, Nokia filed its answer and counterclaims to InterDigital's Delaware District Court complaint, and then amended its answer and counterclaims on March 5, 2013. Nokia asserted counterclaims for breach of contract, breach of implied contract, unfair competition under Cal. Bus. & Prof. Code § 17200, equitable estoppel, a declaration setting FRAND terms and conditions, a declaration that InterDigital is estopped from seeking an exclusion order based on its U.S. declared-essential patents, a declaration of patent misuse, a declaration that InterDigital has failed to offer FRAND terms, a declaration that Nokia has an implied license to the asserted patents, and declarations of non-infringement, invalidity and unenforceability. In addition to the declaratory relief specified in its counterclaims, Nokia seeks an order that InterDigital specifically perform its purported contracts by not seeking a USITC exclusion order for its essential patents and by granting Nokia a

license on FRAND terms and conditions, an injunction preventing InterDigital from participating in a USITC investigation based on essential patents, appropriate damages in an amount to be determined, including all attorney's fees and costs spent in participating in all three USITC Investigations (337-TA-868, 337-TA-800 and 337-TA-613), and any other relief as the court may deem just and proper.

On March 13, 2013, InterDigital filed an amended Delaware District Court complaint against Nokia and Samsung, respectively, to assert allegations of infringement of the recently issued '244 patent. On April 1, 2013, Nokia filed its answer and counterclaims to InterDigital's amended Delaware District Court complaint. On April 24, 2013, Samsung filed its answer and a counterclaim to InterDigital's amended Delaware District Court complaint.

On March 21, 2013, pursuant to stipulation, the Delaware District Court granted InterDigital leave to file an amended complaint against Huawei and ZTE, respectively, to assert allegations of infringement of the '244 patent. On March 22, 2013, Huawei and ZTE filed their respective answers and counterclaims to InterDigital's amended Delaware District Court complaint. On April 9, 2013, InterDigital filed a motion to dismiss Huawei's and ZTE's counterclaims relating to their FRAND allegations. On April 22, 2013, InterDigital filed a motion to dismiss Nokia's counterclaims relating to its FRAND allegations. On July 12, 2013, the Delaware District Court held a hearing on InterDigital's motions to dismiss. By order issued the same day, the Delaware District Court granted InterDigital's motions, dismissing counterclaims for equitable estoppel, implied license, waiver of the right to injunction or exclusionary relief, and violation of California Bus. & Prof. Code § 17200 with prejudice. It further dismissed the counterclaims for breach of contract and declaratory relief related to InterDigital's FRAND commitments with leave to amend.

On August 6, 2013, Huawei, Nokia, and ZTE filed answers and amended counterclaims for breach of contract and for declaratory judgments seeking determination of FRAND terms. The counterclaims also continue to seek declarations of noninfringement, invalidity, and unenforceability. Nokia also continued to assert a counterclaim for a declaration of patent misuse. On August 30, 2013, InterDigital filed a motion to dismiss the declaratory judgment counterclaims relating to the request for determination of FRAND terms. On May 28, 2014, the court granted InterDigital's motion and dismissed defendants' FRAND-related declaratory judgment counterclaims, ruling that such declaratory judgments would serve no useful purpose.

On December 30, 2013, InterDigital and Huawei filed a stipulation of dismissal on account of the confidential settlement agreement and agreement to arbitrate their disputes in this action. On the same day, the Delaware District Court granted the stipulation of dismissal.

On February 11, 2014, the Delaware District Court judge entered an InterDigital, Nokia, and ZTE stipulated Amended Scheduling Order that bifurcated issues relating to damages, FRAND-related affirmative defenses, and any FRAND-related counterclaims.

On August 28, 2014, the court granted in part a motion by InterDigital for summary judgment that the asserted '151 patent is not unenforceable by reason of inequitable conduct, holding that only one of the references forming the basis of defendants' allegations would remain in issue, and granted a motion by InterDigital for summary judgment that the asserted claims of the '966 and '847 patents are not invalid for lack of enablement.

On August 5, 2014, InterDigital and Samsung filed a stipulation of dismissal in light of the parties' settlement agreement. On the same day, the court granted the stipulation of dismissal and dismissed the action with prejudice.

By order dated August 28, 2014, MMO was joined in the case as a defendant.

The ZTE trial addressing infringement and validity of the '966, '847, '244 and '151 patents was held from October 20 to October 27, 2014. During the trial, the judge determined that further construction of certain claim

language of the ’151 patent was required, and the judge decided to hold another trial as to ZTE’s infringement of the ’151 patent at a later date. On October 28, 2014, the jury returned a unanimous verdict in favor of InterDigital, finding that the ’966, ’847 and ’244 patents are all valid and infringed by ZTE 3G and 4G cellular devices. The court issued formal judgment to this effect on October 29, 2014.

On November 26, 2014, ZTE filed a motion for judgment as a matter of law that the asserted claims of the ’966, ’847 and ’244 patents are not infringed and, in the alternative, for a new trial. InterDigital filed an opposition on December 15, 2014, and ZTE filed a reply on January 7, 2015.

The ZTE trial addressing infringement of the ’151 patent was held from April 20 to April 22, 2015. On April 22, 2015, the jury returned a verdict in favor of ZTE, finding that the ’151 patent is not infringed by ZTE 3G and 4G cellular devices.

On April 23, 2015, InterDigital filed a motion to partially dismiss its complaint pertaining to the ’151 patent against Nokia and MMO, as well as Nokia and MMO’s counterclaims that relate to the ’151 patent (including inequitable conduct), and on April 27, 2015, the judge granted the motion.

On April 27, 2015, the court ruled that Nokia Corporation should be severed for a separate trial addressing infringement of the ’244 patent.

On May 5, 2015, the court scheduled the Nokia Inc./MMO jury trial addressing infringement of the ’244 patent for November 16, 2015. On May 29, 2015, the court entered a new scheduling order for damages and FRAND-related issues due to changes in the schedule of the liability portion of the MMO proceedings, scheduling trials related to damages and FRAND-related issues for October 2016 with ZTE and November 2016 with MMO.

On September 14, 2015, a panel of Administrative Law Judges of the United States Patent and Trademark Office Patent Trial and Appeal Board (the “PTAB”) issued a final written decision in two Inter Partes Review (“IPR”) cases concerning the ’244 patent. These IPR proceedings were commenced on petitions filed by ZTE Corporation and ZTE (USA) Inc. and by Microsoft Corporation, respectively. Specifically, the panel determined that a number of claims of the ’244 patent are unpatentable as obvious. IPR Licensing, Inc. appealed to the Federal Circuit seeking review of the PTAB’s decision. Oral argument in the appeal is scheduled for April 2017. The appeals are pending. On October 13, 2015, by stipulation of the parties, the Delaware District Court stayed the action involving MMO and Nokia Inc., including the November 2015 and November 2016 trials concerning infringement of the ’244 patent and damages and FRAND-related issues, respectively, pending completion of the IPR proceedings, including all appeals and subsequent proceedings before the PTAB. This stay is with respect to MMO and Nokia Inc. only, and does not apply to the Delaware action pending against ZTE.

On May 12, 2015, Nokia/MMO moved for summary judgment of non-infringement of the ’244 patent, alleging that the accused devices do not practice a particular claim element of the ’244 patent. On June 2, 2015, InterDigital opposed Nokia/MMO’s motion, and filed a cross-motion for partial summary judgment that the accused devices infringe the claim element at issue in Nokia/MMO’s motion for summary judgment. On October 13, 2015, the Delaware District Court denied the pending summary judgment cross-motions without prejudice in light of the stay discussed above, indicating that the motions could be considered refiled if and when the stay is lifted if either party requests it.

On December 21, 2015, the court entered another scheduling order that vacated the October 2016 date for the ZTE trial related to damages and FRAND-related issues as set forth in the May 2015 scheduling order.

On March 18, 2016, the court denied ZTE’s motion for judgment as a matter of law, or in the alternative for a new trial, with respect to the ’966 and ’847 patents. The court postponed its ruling on ZTE’s motion as to the ’244 patent pending the Federal Circuit’s decision on InterDigital’s appeal of the September 14, 2015 PTAB ruling and administratively closed that portion of the motion. On April 8, 2016, the court set a new schedule for the FRAND/damages portion of the ZTE case with a target trial date in February 2018.

On April 18, 2016, ZTE filed a stipulated request for dismissal with prejudice of its counterclaims for breach of contract and patent unenforceability based on FRAND and withdrew its corresponding FRAND-related affirmative defenses. The court granted this request the same day. Also on April 18, 2016, ZTE filed a motion under Federal Rule of Civil Procedure 54(b) seeking certification of partial final judgment on the claims for infringement of the ’966 and ’847 patents to allow ZTE to file an immediate appeal as to those patents. The motion was granted on June 7, 2016, and a partial final judgment was entered on June 20, 2016. On July 18, 2016, ZTE filed its notice of appeal with the Federal Circuit regarding the Delaware District Court’s judgment against ZTE with respect to the ’966 and ’847 patents. ZTE’s appeal is pending. As a result, InterDigital’s damages claims are currently effectively stayed pending the appeal.

Nokia and ZTE 2011 USITC Proceeding (337-TA-800) and Related Delaware District Court Proceeding

USITC Proceeding (337-TA-800)

On July 26, 2011, InterDigital’s wholly owned subsidiaries InterDigital Communications, LLC (now InterDigital Communications, Inc.), InterDigital Technology Corporation and IPR Licensing, Inc. filed a complaint with the USITC against Nokia Corporation and Nokia Inc., Huawei Technologies Co., Ltd. and FutureWei Technologies, Inc. d/b/a Huawei Technologies (USA) and ZTE Corporation and ZTE (USA) Inc. (collectively, the “337-TA-800 Respondents”), alleging violations of Section 337 of the Tariff Act of 1930 in that they engaged in unfair trade practices by selling for importation into the United States, importing into the United States and/or selling after importation into the United States certain 3G wireless devices (including WCDMA- and cdma2000-capable mobile phones, USB sticks, mobile hotspots and tablets and components of such devices) that infringe several of InterDigital’s U.S. patents. The action also extended to certain WCDMA and cdma2000 devices incorporating WiFi functionality. InterDigital’s complaint with the USITC sought an exclusion order that would bar from entry into the United States any infringing 3G wireless devices (and components) that are imported by or on behalf of the 337-TA-800 Respondents, and also sought a cease-and-desist order to bar further sales of infringing products that have already been imported into the United States. In May 2012, Huawei Device USA, Inc. was added as a 337-TA-800 Respondent.

The ALJ held an evidentiary hearing from February 12-21, 2013. The patents in issue as of the hearing were U.S. Patent Nos. 8,009,636 (the “’636 patent”), 7,706, 830 (the “’830 patent”), 7,502,406 (the “’406 patent”), 7,616,970 (the “’970 patent”), 7,706,332 (the “’332 patent”), 7,536,013 (the “’013 patent”) and 7,970,127 (the “’127 patent”). The ALJ’s Initial Determination (“ID”) issued on June 28, 2013, finding no violation because the asserted patents were not infringed and/or invalid. Among other determinations, with respect to the 337-TA-800 Respondents’ FRAND and other equitable defenses, the ALJ found that Respondents had failed to prove either that InterDigital violated any FRAND obligations, that InterDigital failed to negotiate in good faith, or that InterDigital’s licensing offers were discriminatory. The ALJ also found that InterDigital is not precluded from seeking injunctive relief based on any alleged FRAND commitments.

Petitions for review of the ID to the Commission were filed by InterDigital and the 337-TA-800 Respondents on July 15, 2013. On September 4, 2013, the Commission determined to review the ID in its entirety.

On December 19, 2013, the Commission issued its final determination. The Commission adopted, with some modification, the ALJ’s finding of no violation of Section 337 as to Nokia, Huawei, and ZTE. The Commission did not rule on any other issue, including FRAND and domestic industry, and stated that all other issues remain under review.

On December 20, 2013, InterDigital filed in the Federal Circuit a petition for review seeking reversal of the Commission’s final determination. On February 18, 2015, the Federal Circuit issued a decision affirming the USITC’s determinations that the claims of the ’830, ’636, ’406 and ’332 patents were not infringed, that the claims of the ’970 patent are invalid, and that the Respondents did not violate Section 337. On April 6, 2015, InterDigital filed a combined petition for panel rehearing and rehearing e*n banc* as to the ’830 and ’636 patents. The petition was denied on May 12, 2015, and the court’s mandate issued on May 19, 2015.

Related Delaware District Court Proceeding

On July 26, 2011, the same date that InterDigital filed USITC Proceeding (337-TA-800), it filed a parallel action in the United States District Court for the District of Delaware against the 337-TA-800 Respondents alleging infringement of the same asserted patents identified in USITC Proceeding (337-TA-800). The Delaware District Court complaint seeks a permanent injunction and compensatory damages in an amount to be determined, as well as enhanced damages based on willful infringement, and recovery of reasonable attorneys' fees and costs. On September 23, 2011, the defendants in the Delaware District Court complaint filed a motion to stay the Delaware District Court action pending the parallel proceedings in the USITC. Because the USITC has instituted USITC Proceeding (337-TA-800), the defendants have a statutory right to a mandatory stay of the Delaware District Court proceeding pending a final determination in the USITC. On October 3, 2011, InterDigital amended the Delaware District Court complaint, adding LG as a defendant and adding the same additional patent that InterDigital requested be added to USITC Proceeding (337-TA-800). On October 11, 2011, the Delaware District Court granted the defendants' motion to stay. The case is currently stayed through March 13, 2017.

On January 14, 2014, InterDigital and Huawei filed a stipulation of dismissal of their disputes in this action on account of the confidential settlement agreement mentioned above. On the same day, the Delaware District Court granted the stipulation of dismissal.

Nokia 2007 USITC Proceeding (337-TA-613), Related Delaware District Court Proceeding and Federal Circuit Appeal

USITC Proceeding (337-TA-613)

In August 2007, InterDigital filed a USITC complaint against Nokia Corporation and Nokia, Inc., alleging a violation of Section 337 of the Tariff Act of 1930 in that Nokia engaged in an unfair trade practice by selling for importation into the United States, importing into the United States and/or selling after importation into the United States certain 3G mobile handsets and components that infringe two of InterDigital's patents. In November and December 2007, respectively, a third patent and a fourth patent were added to the Company's complaint against Nokia. The complaint sought an exclusion order barring from entry into the United States infringing 3G mobile handsets and components that are imported by or on behalf of Nokia. InterDigital's complaint also sought a cease-and-desist order to bar further sales of infringing Nokia products that have already been imported into the United States.

On August 14, 2009, the ALJ overseeing USITC Proceeding (337-TA-613) issued an Initial Determination finding no violation of Section 337 of the Tariff Act of 1930. The Initial Determination found that InterDigital's patents were valid and enforceable, but that Nokia did not infringe these patents. In the event that a Section 337 violation were to be found by the Commission, the ALJ recommended the issuance of a limited exclusion order barring entry into the United States of infringing Nokia 3G WCDMA handsets and components, as well as the issuance of appropriate cease-and-desist orders.

On October 16, 2009, the Commission issued a notice that it had determined to review in part the Initial Determination, and that it affirmed the ALJ's determination of no violation and terminated the investigation. The Commission determined to review the claim construction of the patent claim terms "synchronize" and "access signal" and also determined to review the ALJ's validity determinations. On review, the Commission modified the ALJ's claim construction of "access signal" and took no position with regard to the claim term "synchronize" or the validity determinations. The Commission determined not to review the remaining issues decided in the Initial Determination.

On November 30, 2009, InterDigital filed with the Federal Circuit a petition for review of certain rulings by the USITC. In its appeal, InterDigital sought reversal of the Commission's claim constructions and non-infringement findings with respect to certain claim terms in the '966 and '847 patents, vacatur of the Commission's

determination of no Section 337 violation and a remand for further proceedings before the Commission. On August 1, 2012, the Federal Circuit issued its decision in the appeal, holding that the Commission had erred in interpreting the claim terms at issue and reversing the Commission's finding of non-infringement. The Federal Circuit adopted InterDigital's interpretation of such claim terms and remanded the case back to the Commission for further proceedings. In addition, the Federal Circuit rejected Nokia's argument that InterDigital did not satisfy the domestic industry requirement. On September 17, 2012, Nokia filed a combined petition for rehearing by the panel or en banc with the Federal Circuit. On January 10, 2013, the Federal Circuit denied Nokia's petition.

On January 17, 2013, the Federal Circuit issued its mandate remanding USITC Proceeding (337-TA-613) to the Commission for further proceedings. On February 12, 2014, the Commission issued a notice, order and opinion remanding the investigation to an ALJ. In doing so, the Commission determined certain issues and identified others that would be subject to further proceedings by the ALJ. The Commission assigned the investigation to an ALJ for limited remand proceedings consistent with its February 12, 2014 opinion.

In June 2014, MMO was added as a respondent in the investigation.

The evidentiary hearing in the remand proceeding was held January 26—28, 2015. On April 27, 2015, the ALJ issued his Remand Initial Determination ("RID"). The ALJ found that the imported accused handsets (1) contain chips that were not previously adjudicated and (2) infringe the asserted claims of the '966 and '847 patents, that there was no evidence of patent hold-up by InterDigital, that there is evidence of reverse hold-up by the respondents, and that the public interest does not preclude issuance of an exclusion order.

On May 11, 2015, Nokia Corporation and MMO each filed petitions to the Commission to review the RID. On June 25, 2015, the Commission issued a notice of its decision to review the RID in part. The Commission determined to review the RID's findings concerning the application of the Commission's prior construction of one claim limitation in Investigation Nos. 337-TA-800 and 337-TA-868, the RID's findings as to whether the accused products satisfy that claim limitation, and the RID's public interest findings. The Commission issued its final determination on August 28, 2015, finding that issue preclusion applied with respect to the construction of the claim limitations at issue, and issue preclusion also required a finding of non-infringement. The Commission determined there was no violation of Section 337 and terminated the 337-TA-613 investigation. The Commission found that consideration of the public interest issues was moot and did not address them.

Related Delaware District Court Proceeding

In addition, in August 2007, on the same date as the filing of USITC Proceeding (337-TA-613), InterDigital also filed a complaint in the Delaware District Court alleging that Nokia's 3G mobile handsets and components infringe the same two InterDigital patents identified in the original USITC complaint. The complaint seeks a permanent injunction and damages in an amount to be determined. This Delaware action was stayed on January 10, 2008, pursuant to the mandatory, statutory stay of parallel district court proceedings at the request of a respondent in a USITC investigation. The Delaware District Court permitted InterDigital to add to the stayed Delaware action the third and fourth patents InterDigital asserted against Nokia in the USITC action. This case remains stayed.

OTHER

We are party to certain other disputes and legal actions in the ordinary course of business, including arbitrations and legal proceedings with licensees regarding the terms of their agreements and the negotiation thereof. We do not currently believe that these matters, even if adversely adjudicated or settled, would have a material adverse effect on our financial condition, results of operations or cash flows. None of the above matters have met the requirements for accrual or disclosure of a potential range as of December 31, 2016.

Item 4. *MINE SAFETY DISCLOSURES.*

Not applicable.

PART II

Item 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.*

Market Information

The NASDAQ Stock Market ("NASDAQ") is the principal market for our common stock, which is traded under the symbol "IDCC." The following table sets forth the high and low sales prices of our common stock for each quarterly period in 2016 and 2015, as reported by NASDAQ.

	High	Low
2016		
First quarter	$55.85	$41.01
Second quarter	59.83	51.97
Third quarter	79.92	52.33
Fourth quarter	98.00	68.10

	High	Low
2015		
First quarter	$56.27	$47.76
Second quarter	60.69	49.57
Third quarter	57.77	44.28
Fourth quarter	54.95	46.78

Holders

As of February 21, 2017, there were 585 holders of record of our common stock.

Dividends

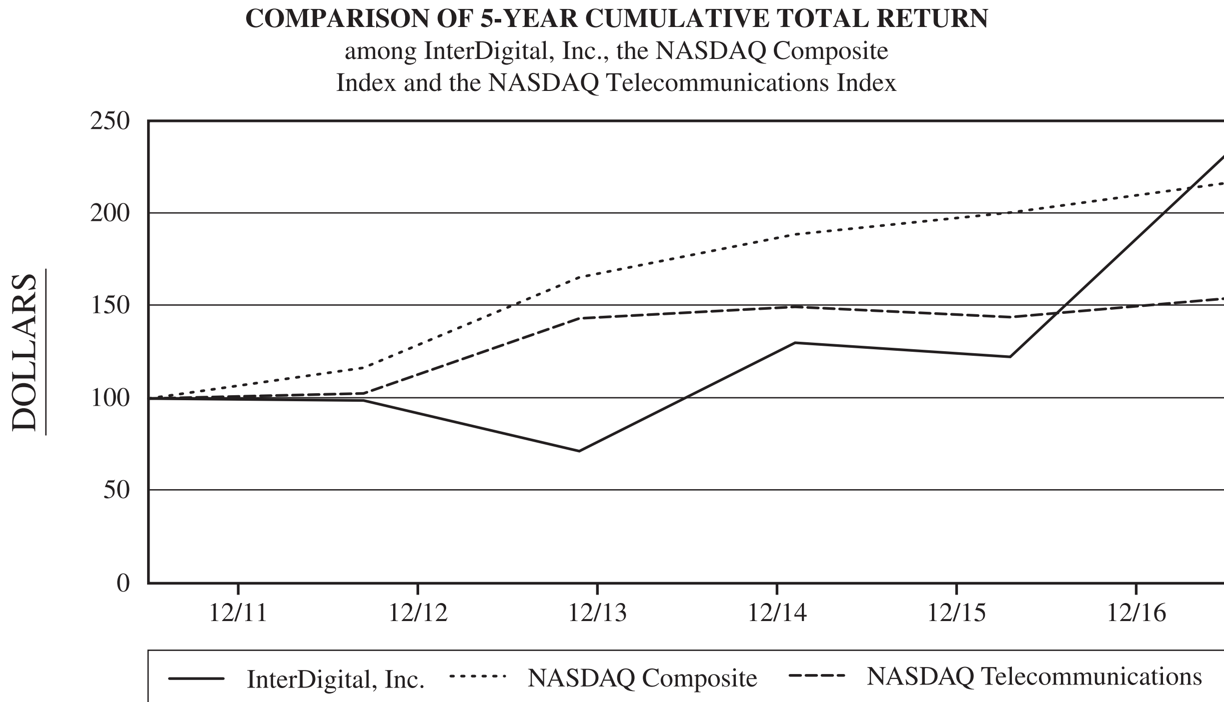
Cash dividends on outstanding common stock declared in 2016 and 2015 were as follows (in thousands, except per share data):

	Per Share	Total	Cumulative by Fiscal Year
2016			
First quarter	$0.20	$ 6,923	$ 6,923
Second quarter	0.20	6,861	13,784
Third quarter	0.30	10,285	24,069
Fourth quarter	0.30	10,290	34,359
	$1.00	$34,359	
2015			
First quarter	$0.20	$ 7,232	$ 7,232
Second quarter	0.20	7,243	14,475
Third quarter	0.20	7,183	21,658
Fourth quarter	0.20	7,068	28,726
	$0.80	$28,726	

In September 2016, we announced that our Board of Directors had approved an increase in the Company's quarterly cash dividend to $0.30 per share. We currently expect to continue to pay dividends comparable to our quarterly $0.30 per share cash dividend in the future; however, continued payment of cash dividends and changes in the Company's dividend policy will depend on the Company's earnings, financial condition, capital resources and capital requirements, alternative uses of capital, restrictions imposed by any existing debt, economic conditions and other factors considered relevant by our Board of Directors.

Performance Graph

The following graph compares five-year cumulative total returns of the Company, the NASDAQ Composite Index and the NASDAQ Telecommunications Stock Index. The graph assumes $100 was invested in the common stock of InterDigital and each index as of December 31, 2011 and that all dividends were re-invested. Such returns are based on historical results and are not intended to suggest future performance.



	12/11	12/12	12/13	12/14	12/15	12/16
InterDigital, Inc.	100.00	98.71	71.38	130.08	122.45	231.65
NASDAQ Composite	100.00	116.41	165.47	188.69	200.32	216.54
NASDAQ Telecommunications	100.00	102.78	143.40	149.42	144.02	153.88

The above performance graph shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference into any filing of InterDigital under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Issuer Purchases of Equity Securities

Repurchase of Common Stock

The Company did not repurchase any shares of its common stock during fourth quarter 2016.

Item 6. *SELECTED FINANCIAL DATA.*

The following data should be read in conjunction with the Consolidated Financial Statements, related Notes and other financial information contained in this Form 10-K.

	2016	2015	2014	2013	2012
	(in thousands except per share data)				
Consolidated statements of operations data:					
Revenues (a)	$ 665,854	$ 441,435	$ 415,821	$ 325,361	$ 663,063
Income from operations (b)	$ 437,306	$ 208,549	$ 168,960	$ 84,756	$ 419,030
Income tax provision (c)	$ (116,791)	$ (64,621)	$ (52,108)	$ (25,836)	$ (136,830)
Net income applicable to InterDigital, Inc. common shareholders	$ 309,001	$ 119,225	$ 104,342	$ 38,165	$ 271,804
Net income per common share — basic	$ 8.95	$ 3.31	$ 2.65	$ 0.93	$ 6.31
Net income per common share — diluted	$ 8.78	$ 3.27	$ 2.62	$ 0.92	$ 6.26
Weighted average number of common shares outstanding — basic	34,526	36,048	39,420	41,115	43,070
Weighted average number of common shares outstanding — diluted	35,189	36,463	39,879	41,424	43,396
Cash dividends declared per common share (d)	$ 1.00	$ 0.80	$ 0.70	$ 0.40	$ 1.90
Consolidated balance sheets data:					
Cash and cash equivalents	$ 404,074	$ 510,207	$ 428,567	$ 497,714	$ 349,843
Short-term investments	548,687	423,501	275,361	200,737	227,436
Working capital	795,639	610,994	582,688	703,576	603,134
Total assets	1,727,853	1,474,485	1,192,962	1,110,251	1,052,374
Total debt	272,021	486,769	216,206	205,881	196,156
Total InterDigital, Inc. shareholders' equity	739,709	510,519	468,328	528,650	518,705
Noncontrolling interest	14,659	11,376	7,349	5,170	—
Total shareholders' equity	$ 754,368	$ 521,895	$ 475,677	$ 533,820	$ 518,705

(a) In 2016, 2015, 2014 and 2013, our revenues included $309.7 million, $65.8 million, $125.0 million and $127.0 million of past sales, respectively. In 2012, our revenues included $384.0 million associated with patent sales.

(b) Our income from operations in 2016 included $2.3 million of severance charges related to ongoing efforts to optimize our cost structure. We incurred charges of $1.5 million and $12.5 million in 2013 and 2012, respectively, associated with actions to reposition the company's operations.

(c) In 2016, our income tax provision included the impact of a $23.6 million net tax benefit primarily related to domestic activity production deductions for prior years. In 2014, our income tax provision included the impact of a $4.2 million net tax benefit, primarily attributable to available U.S. federal research and development tax credits for prior years, which was partially offset by an audit settlement. In 2012, our income tax provision included a tax benefit of $6.7 million related to the release of valuation allowances on deferred tax assets, which we now expect to utilize.

(d) In September 2016, we announced that our Board of Directors had approved an increase in the Company's quarterly cash dividend to $0.30 per share. In June 2014, we announced that our Board of Directors had approved a 100% increase in the Company's quarterly cash dividend, to $0.20 per share. On December 5, 2012, we announced that our Board of Directors had declared a special cash dividend of $1.50 per share on InterDigital common stock. The special cash dividend was payable on December 28, 2012 to stockholders of record as of the close of business on December 17, 2012.

Item 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.*

OVERVIEW

The following discussion should be read in conjunction with the Selected Financial Data, the Consolidated Financial Statements and the Notes thereto contained in this Form 10-K.

Throughout the following discussion and elsewhere in this Form 10-K, we refer to "recurring revenues" and "past sales." Recurring revenues are comprised of "current patent royalties" and "current technology solutions revenue." Past sales are comprised of "past patent royalties" and "past technology solutions revenue."

Business

InterDigital designs and develops advanced technologies that enable and enhance wireless communications and capabilities. Since our founding in 1972, our engineers have designed and developed a wide range of innovations that are used in digital cellular and wireless products and networks, including 2G, 3G, 4G and IEEE 802-related products and networks. We are a leading contributor of innovation to the wireless communications industry.

Given our long history and focus on advanced research and development, InterDigital has one of the most significant patent portfolios in the wireless industry. As of December 31, 2016, InterDigital's wholly owned subsidiaries held a portfolio of approximately 20,000 patents and patent applications related to a range of technologies including the fundamental technologies that enable wireless communications. In that portfolio are a number of patents and patent applications that we believe are or may be essential or may become essential to cellular and other wireless standards, including 3G, 4G and the IEEE 802 suite of standards, as well as patents and patent applications that we believe may become essential to 5G standards that are under development. That portfolio has largely been built through internal development, supplemented by joint development projects with other companies as well as select acquisitions of patents and companies. Products incorporating our patented inventions include: mobile devices, such as cellular phones, tablets, notebook computers and wireless personal digital assistants; wireless infrastructure equipment, such as base stations; components, dongles and modules for wireless devices; and IoT devices and software platforms.

InterDigital derives revenues primarily from patent licensing, with contributions from patent sales, product sales, technology solutions licensing and sales and engineering services. In 2016, 2015, and 2014, our total revenues were $665.9 million, $441.4 million and $415.8 million, respectively. Our recurring revenues in 2016, 2015 and 2014 were $356.2 million, $372.8 million and $288.8 million, respectively.

In 2016, the amortization of fixed-fee royalty payments accounted for approximately 50% of our recurring revenues. These fixed-fee revenues are not affected by the related licensees' success in the market or the general economic climate. The majority of the remaining portion of our recurring revenue is variable in nature due to the per-unit structure of the related license agreements. Approximately 84% of this per-unit, variable portion for 2016 related to sales by our collection of Taiwanese licensees, the majority of which revenue was derived from the sale of Apple products. With the entry into the Apple PLA in fourth quarter 2016, as discussed below, we will no longer receive royalties under the 2008 Pegatron PLA for those products that Pegatron produces for Apple which are sold to or for Apple during the term of the Apple PLA. In 2016, we recognized $133.3 million of revenue under the 2008 Pegatron PLA, substantially all of which was associated with sales of Apple products. As a result of our entry into fixed-fee patent license agreements with Huawei and Apple during 2016, we expect that fixed-fee royalties will be a larger percentage of our recurring revenue in 2017. Fixed-fee royalties accounted for approximately 79% of recurring revenue in fourth quarter 2016.

Revenue

Recurring revenue in 2016 of $356.2 million decreased 4% from the prior year. The decrease was primarily attributable to a decrease in revenue derived from Apple products as well as a decrease in per-unit royalty

revenue resulting from decreased shipments by some of the company's Taiwan-based licensees. During 2016, we recognized $309.7 million of past sales revenue, primarily attributable to the new patent license agreements with Apple and Huawei discussed below, as compared to $68.7 million of past sales recognized in 2015.

Refer to "*Results of Operations — 2016 Compared with 2015*" for further discussion of our 2016 revenue.

New Agreements

During third quarter 2016, we entered into a multi-year, worldwide, non-exclusive, royalty-bearing patent license agreement with Huawei. The agreement covers sales of Huawei and its affiliates' 3G and 4G terminal unit products and sets forth cash payments to InterDigital and a process for the transfer of patents from Huawei to InterDigital. In addition, the companies have agreed to a framework for discussions regarding joint research and development efforts. As a result of the agreement, the companies settled all proceedings related to their arbitration initiated in 2014. Our agreement with Huawei is a multiple-element arrangement for accounting purposes. We recognized $154.8 million of revenue under this patent license agreement during 2016, including $121.5 million of past sales. We will recognize future revenue under the agreement on a straight-line basis over its term. A portion of the consideration for the agreement was in the form of patents from Huawei. We have received half of the patents as of December 31, 2016, and we will receive the remaining patents by June 30, 2017. Of the $154.8 million of revenue recognized under the agreement to date, 95% related to cash receipts and 5% related to the patents transferred to date. We have deferred recognition of revenue related to the patents yet to be transferred, as their value will not be determinable until the completion of the transfer process. At the completion of the transfer process, we expect to recognize additional past sales and current patent royalties associated with these patents. Refer to Note 2, "*Summary of Significant Accounting Policies*," for additional information related to the estimates and methods used to determine the fair value of the patents acquired.

During fourth quarter 2016, we entered into a multi-year, royalty-bearing, worldwide and non-exclusive license agreement with Apple. The agreement sets forth terms covering the sale by Apple of its products and services, including, but not limited to, its 3G, 4G and future generation cellular and wireless-enabled products. The agreement gives Apple the right to terminate certain rights and obligations under the license for the period after September 30, 2021, but has the potential to provide a license to Apple for a total of up to six years. Our agreement with Apple is a multiple-element arrangement for accounting purposes. We recognized $169.3 million of revenue under this patent license agreement during 2016, including $141.4 million of past sales. We will recognize future revenue under the agreement on a straight-line basis over its term.

Consistent with the revenue recognition policy disclosed in Note 2, "*Summary of Significant Accounting Policies*," we identified each element of each arrangement, estimated its relative value for purposes of allocating the arrangement consideration and determined when each of those elements should be recognized. Using the accounting guidance applicable to multiple-element revenue arrangements, we allocated the consideration to each element for accounting purposes using our best estimate of the term and value of each element. The development of a number of these inputs and assumptions in the models requires a significant amount of management judgment and is based upon a number of factors, including the assumed royalty rates, sales volumes, discount rate and other relevant factors. Changes in any of a number of these assumptions could have had a substantial impact on the relative fair value assigned to each element for accounting purposes. These inputs and assumptions represent management's best estimates at the time of the transactions.

Acquisition of Hillcrest Labs

On December 20, 2016, we acquired Hillcrest Laboratories, Inc. ("Hillcrest Labs"), a pioneer in sensor processing technology, for approximately $48.0 million in cash, net of $0.4 million cash acquired. Sensor processing and sensor fusion is an important emerging technology area, with multiple applications in IoT, augmented and virtual reality, robotics, and other areas. Hillcrest Labs' strong product and technology offerings and intellectual property portfolio reflect their pioneering position in this technology segment. Refer to Note 15, "*Business Combinations,*" for more information regarding this transaction.

Expiration of Patent License Agreements

Our patent license agreements with a number of licensees expired during 2016. Collectively, these agreements accounted for $19.4 million, or approximately 3%, of our total revenue in 2016. Individually, none of these agreements accounted for more than 2% of our total revenue in 2016. A portion of our first quarter 2017 revenues will be comprised of royalties from these licensees due to the timing of when we receive royalty reports, as described in Note 2, "*Summary of Significant Accounting Policies,*" in the Notes to Consolidated Financial Statements.

Our patent license agreements with two licensees are scheduled to expire in whole or in part during 2017. Collectively, these agreements accounted for $17.7 million, or approximately 3%, of our total revenue in 2016. One of these agreements has a non-refundable prepaid balance of $71.6 million, which is included in short-term deferred revenue, as of December 31, 2016. In the event this agreement is not renewed or amended during 2017, we will recognize any portion of the prepaid balance remaining at year-end as revenue in fourth quarter 2017 in connection with the scheduled expiration of the agreement.

In addition, our patent license agreement with Samsung provides Samsung the ability to terminate certain rights and obligations under the license for the period after 2017, but has the potential to provide a license to Samsung for a total of ten years, beginning with and including 2013. Samsung accounted for approximately 10% of our total revenues in 2016. If we determine it is probable that Samsung will terminate the agreement, we will increase the revenue recognition from Samsung to amortize the additional benefits we would receive from Samsung over the remaining portion of the initial term.

Cash and Short-Term Investments

At December 31, 2016, we had $952.8 million of cash and short-term investments and up to an additional $1.1 billion of payments due under signed agreements, including $228.5 million recorded in accounts receivable that is due within twelve months of the balance sheet date. A substantial portion of our cash and short-term investments relates to fixed and prepaid royalty payments we have received that relate to future sales of our licensees' products. As a result, our future cash receipts from existing licenses subject to fixed and prepaid royalties will be lower than if the royalty payments were structured to coincide with the underlying sales. During 2016, we recorded $719.9 million of cash receipts related to patent licensing and technology solutions agreements as follows (in thousands):

	Cash In
Current royalties	$158,899
Fixed-fee royalty payments	231,562
Past per-unit patent royalties	66,949
Prepaid royalties	3,546
Technology solutions	5,300
Past fixed royalty payments	253,683
	$719,939

Approximately $439.3 million of our $621.2 million deferred revenue balance relates to fixed-fee royalty payments that are scheduled to amortize as follows (in thousands):

2017	$285,478
2018	149,937
2019	1,392
2020	1,392
2021	534
Thereafter	534
	$439,267

The remaining $181.9 million of deferred revenue primarily relates to prepaid royalties that will be recorded as revenue as our licensees report their sales of covered products or at the conclusion of the related license agreement.

Repurchase of Common Stock

In June 2014, our Board of Directors authorized a $300 million share repurchase program (the "2014 Repurchase Program"), and in June 2015, our Board of Directors authorized a $100 million increase to the 2014 Repurchase Program, bringing the total amount of the program to $400 million. The Company may repurchase shares under the 2014 Repurchase Program through open market purchases, pre-arranged trading plans or privately negotiated purchases.

The table below sets forth the number of shares repurchased and the dollar value of shares repurchased under the 2014 Repurchase Program during 2016, 2015 and 2014, in thousands.

	2014 Repurchase Program	
	# of Shares	Value
2016	1,304	$ 64,685
2015	1,836	96,410
2014	3,554	152,625
Total	6,694	$313,720

Intellectual Property Rights Enforcement

If we believe a party is required to license our patents in order to manufacture, use and/or sell certain products and such party refuses to do so, we may agree with such party to have royalty rates, or other terms, set by third party adjudicators (such as arbitrators) or, in certain circumstances, we may institute legal action against them to enforce our patent rights. This legal action has typically taken the form of a patent infringement lawsuit or an administrative proceeding. In addition, we and our licensees, in the normal course of business, might seek to resolve disagreements as to the rights and obligations of the parties under the applicable license agreement through arbitration or litigation.

In 2016, our intellectual property enforcement costs decreased to $16.5 million from $31.8 million and $52.1 million in 2015 and 2014, respectively. These costs represented 15% of our 2016 total patent administration and licensing costs of $113.5 million. Intellectual property enforcement costs will vary depending upon activity levels, and it is likely they will continue to be a significant expense for us in the future.

Comparability of Financial Results

When comparing 2016 financial results against the financial results of other periods, the following items should be taken into consideration:

- Our 2016 revenue includes:
  - $309.7 million of past sales primarily related to the new patent license agreements.
- Our 2016 operating expenses include:
  - $2.3 million severance charge primarily related to ongoing efforts to optimize our cost structure; and
  - $13.7 million of expense to increase accrual rates for some of our incentive compensation plans.

- Our 2016 other expense, net includes:
  - a $3.4 million gain related to the sale of our King of Prussia facility.
- Our 2016 income tax provision includes:
  - a $23.6 million discrete net benefit related to tax refunds expected on amended returns associated with deductions for certain domestic production activities.

Critical Accounting Policies and Estimates

Our consolidated financial statements are based on the selection and application of accounting principles generally accepted in the United States ("GAAP"), which require us to make estimates and assumptions that affect the amounts reported in both our consolidated financial statements and the accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results could differ from these estimates and any such differences may be material to the financial statements. Our significant accounting policies are described in Note 2 to our Consolidated Financial Statements and are included in Item 8 of Part II of this Form 10-K. We believe the accounting policies that are of particular importance to the portrayal of our financial condition and results and that may involve a higher degree of complexity and judgment in their application compared to others are those relating to revenue recognition, compensation and income taxes. If different assumptions were made or different conditions existed, our financial results could have been materially different.

Revenue Recognition

We derive the vast majority of our revenue from patent licensing. The timing and amount of revenue recognized from each licensee depends upon a variety of factors, including the specific terms of each agreement and the nature of the deliverables and obligations. Such agreements are often complex and include multiple elements. These agreements can include, without limitation, elements related to the settlement of past patent infringement liabilities, up-front and non-refundable license fees for the use of patents and/or know-how, patent and/or know-how licensing royalties on covered products sold by licensees, cross-licensing terms between us and other parties, the compensation structure and ownership of intellectual property rights associated with contractual technology development arrangements, advanced payments and fees for service arrangements and settlement of intellectual property enforcement. For agreements entered into or materially modified prior to 2011, due to the inherent difficulty in establishing reliable, verifiable, and objectively determinable evidence of the fair value of the separate elements of these agreements, the total revenue resulting from such agreements has often been recognized over the performance period. Since January 2011, all new or materially modified agreements have been accounted for under the Financial Accounting Standards Board ("FASB") revenue recognition guidance, "Revenue Arrangements with Multiple Deliverables." This guidance requires consideration to be allocated to each element of an agreement that has standalone value using the relative fair value method. In other circumstances, such as those agreements involving consideration for past and expected future patent royalty obligations, after consideration of the particular facts and circumstances, the appropriate recording of revenue between periods may require the use of judgment. In all cases, revenue is only recognized after all of the following criteria are met: (1) written agreements have been executed; (2) delivery of technology or intellectual property rights has occurred or services have been rendered; (3) fees are fixed or determinable; and (4) collectibility of fees is reasonably assured.

We establish a receivable for payments expected to be received within twelve months from the balance sheet date based on the terms in the license. Our reporting of such payments often results in an increase to both accounts receivable and deferred revenue. Deferred revenue associated with fixed-fee royalty payments is classified on the balance sheet as short-term when it is scheduled to be amortized within twelve months from the balance sheet date. All other deferred revenue is classified as long-term, as amounts to be recognized over the next twelve months are not known.

As discussed in more detail below under "*New Accounting Guidance,*" the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance, and will be effective for the Company in 2018. Under the new standard, the Company may be required to recognize up to a substantial majority of the royalties under a fixed-fee license agreement upfront upon entry into the agreement, as opposed to recognizing the royalties on a quarterly basis over the term of the agreement, which has been the historical practice of many licensing companies, including InterDigital. For InterDigital, this could impact the revenue recognition of all of its existing fixed-fee patent license agreements, including certain fixed-fee agreements that cover both our current technologies and future technologies that are added to our portfolio during the term of the license, such as our patent license agreements with Apple and Samsung. In addition, our current practice, which is shared by many licensing companies and discussed in further detail in Note 2, "*Summary of Significant Accounting Policies,*" of reporting revenues from per-unit royalty-based agreements one quarter in arrears would no longer be accepted, and instead we will be expected to estimate royalty-based revenues each quarter. Upon adoption of the new guidance, we will update our revenue recognition policies accordingly.

Patent License Agreements

Upon signing a patent license agreement, we provide the licensee permission to use our patented inventions in specific applications. We account for patent license agreements in accordance with the guidance for revenue arrangements with multiple deliverables. We have elected to utilize the leased-based model for revenue recognition, with revenue being recognized over the expected period of benefit to the licensee. Under our patent license agreements, we typically receive one or a combination of the following forms of payment as consideration for permitting our licensees to use our patented inventions in their applications and products:

Consideration for Past Patent Royalties: Consideration related to a licensee's product sales from prior periods may result from a negotiated agreement with a licensee that utilized our patented inventions prior to signing a patent license agreement with us or from the resolution of a disagreement or arbitration with a licensee over the specific terms of an existing license agreement. We may also receive consideration for past patent royalties in connection with the settlement of patent litigation where there was no prior patent license agreement. In each of these cases, we record the consideration as revenue when we have obtained a signed agreement, identified a fixed or determinable price and determined that collectibility is reasonably assured.

Fixed-Fee Royalty Payments: These are up-front, non-refundable royalty payments that fulfill the licensee's obligations to us under a patent license agreement for a specified time period or for the term of the agreement for specified products, under certain patents or patent claims, for sales in certain countries, or a combination thereof — in each case for a specified time period (including for the life of the patents licensed under the agreement). We recognize revenues related to Fixed-Fee Royalty Payments on a straight-line basis over the effective term of the license. We utilize the straight-line method because we cannot reliably predict in which periods, within the term of a license, the licensee will benefit from the use of our patented inventions.

Prepayments: These are up-front, non-refundable royalty payments towards a licensee's future obligations to us related to its expected sales of covered products in future periods. Our licensees' obligations to pay royalties typically extend beyond the exhaustion of their Prepayment balance. Once a licensee exhausts its Prepayment balance, we may provide them with the opportunity to make another Prepayment toward future sales or it will be required to make Current Royalty Payments.

Current Royalty Payments: These are royalty payments covering a licensee's obligations to us related to its sales of covered products in the current contractual reporting period.

Licensees that either owe us Current Royalty Payments or have Prepayment balances are obligated to provide us with quarterly royalty reports that summarize their sales of covered products and their related royalty obligations to us. We typically receive these royalty reports subsequent to the period in which our licensees'

underlying sales occurred. As a result, it is impractical for us to recognize revenue in the period in which the underlying sales occur, and, in most cases, we recognize revenue in the period in which the royalty report is received and other revenue recognition criteria are met due to the fact that without royalty reports from our licensees, our visibility into our licensees' sales is very limited. When a licensee is required to gross-up their royalty payment to cover applicable foreign withholding tax requirements, the additional consideration is recorded as revenue.

The exhaustion of Prepayments and Current Royalty Payments are often calculated based on related per-unit sales of covered products. From time to time, licensees will not report revenues in the proper period, most often due to legal disputes. When this occurs, the timing and comparability of royalty revenue could be affected. In cases where we receive objective, verifiable evidence that a licensee has discontinued sales of products covered under a patent license agreement with us, we recognize any related deferred revenue balance in the period that we receive such evidence.

Patent Sales

During 2012, we expanded our business strategy of monetizing our intellectual property to include the sale of select patent assets. As patent sales executed under this strategy represent a component of our ongoing major or central operations and activities, we will record the related proceeds as revenue. We will recognize the revenue when there is persuasive evidence of a sales arrangement, fees are fixed or determinable, delivery has occurred and collectibility is reasonably assured. These requirements are generally fulfilled upon closing of the patent sale transaction.

Technology Solutions

Technology solutions revenue consists primarily of revenue from royalty payments. We recognize revenue from royalty payments using the same methods described above under our policy for recognizing revenue from patent license agreements. Technology solutions revenues also consist of revenues from software licenses, engineering services and product sales. Software license revenues are recognized in accordance with the original and revised guidance for software revenue recognition. When the arrangement with a customer includes significant production, modification, or customization of the software, we recognize the related revenue using the percentage-of-completion method in accordance with the accounting guidance for construction-type and certain production-type contracts. Under this method, revenue and profit are recognized throughout the term of the contract, based on actual labor costs incurred to date as a percentage of the total estimated labor costs related to the contract. Changes in estimates for revenues, costs and profits are recognized in the period in which they are determinable. When such estimates indicate that costs will exceed future revenues and a loss on the contract exists, a provision for the entire loss is recognized at that time.

We recognize revenues associated with engineering service arrangements that are outside the scope of the accounting guidance for construction-type and certain production-type contracts on a straight-line basis, unless evidence suggests that the revenue is earned in a different pattern, over the contractual term of the arrangement or the expected period during which those specified services will be performed, whichever is longer. In such cases we often recognize revenue using proportional performance and measure the progress of our performance based on the relationship between incurred labor hours and total estimated labor hours or other measures of progress, if available. Our most significant cost has been labor and we believe both labor hours and labor cost provide a measure of the progress of our services. The effect of changes to total estimated contract costs is recognized in the period in which such changes are determined. We recognize revenues associated with product sales in the period in which the sales of the underlying units occur.

Multiple Element Arrangements

During 2016, we signed three agreements that were considered multiple-element arrangements for accounting purposes. In accordance with our revenue recognition policy, we identified each element of the

arrangement, estimated its relative fair value for purposes of allocating the arrangement consideration and determined when each of those elements should be recognized. Using the accounting guidance applicable to multiple-element revenue arrangements, we allocated the consideration to each element for accounting purposes using our best estimate of the term and value of each element. The development of a number of these inputs and assumptions in the model requires a significant amount of management judgment and is based upon a number of factors, including the assumed royalty rates, sales volumes, discount rate and other relevant factors. Changes in any of a number of these assumptions could have had a substantial impact on the relative fair value assigned to each element for accounting purposes. These inputs and assumptions represent management's best estimates at the time of the transactions.

The impact that a five percent change in the aggregate amount allocated to past patent royalties under these three agreements would have had on 2016 revenue is summarized in the following table (in thousands):

	Change in amount allocated	
Allocation to past patent royalties	**+5%**	**-%5**
Change in Revenue	$44,771	$(44,771)

Revenue from Non-financial Sources

During 2016, 2015, and 2014, our patent licensing royalties were derived from patent license agreements ("PLAs") with 27, 24, and 25 independent licensees, respectively. We recognized revenue from five, four and two PLAs in 2016, 2015 and 2014, respectively, for which patents comprised less than one-third of the total consideration paid or due to us under those agreements. In addition, during 2016, 2015 and 2014 we recognized revenue from one PLA that was executed in 2014 in connection with a patent purchase agreement ("PPA") with the licensee. Total cash paid to our licensee under this PPA is approximately 56% of the total cash due to us under this licensee's PLA. During 2016, 2015, and 2014, approximately 3%, 5%, and 7%, respectively, of our total revenue was based on the estimated fair value of the patents in the above transactions. We estimated the fair value of the patents in the above transactions by a combination of a discounted cash flow analysis (the income approach) and an analysis of comparable market transactions (the market approach). For the income approach, the inputs and assumptions used to develop these estimates were based on a market participant perspective and included estimates of projected royalties, discount rates, economic lives and income tax rates, among others. For the market approach, judgment was applied as to which market transactions were most comparable to this transaction. The development of a number of these inputs and assumptions requires a significant amount of management judgment and is based upon a number of factors, including the selection of industry comparables, assumed royalty rates, sales volumes, economic lives of the patents and other relevant factors. Changes in any of a number of these assumptions could have had a substantial impact on the fair value assigned to the patents for accounting purposes. These inputs and assumptions represent management's best estimates at the time of the transaction. The impact that a five percent change in the estimated aggregate value of the patents acquired would have had on 2016 revenue, patent amortization and pre-tax income is summarized in the following table (in thousands):

	Change in estimate	
Estimated value of patents acquired in connection with PLAs	**+5%**	**-%5**
Revenue	$702	$(702)
Less: Patent amortization	474	(474)
Pre-tax income	$228	$(228)

Compensation Programs

We use a variety of compensation programs to both attract and retain employees, and to more closely align employee compensation with company performance. These programs include, but are not limited to, short-term

incentive awards tied to performance goals and cash awards to inventors for filed patent applications and patent issuances, as well as stock option awards, time-based restricted stock unit ("RSU") awards and performance-based awards under our long-term compensation program ("LTCP"). Our LTCP typically includes annual grants with a three-year vesting period; as a result, in any one year, we are typically accounting for three active LTCP cycles.

The aggregate amount of performance compensation expense we record in a period, under both short-term and long-term performance compensation programs, requires the input of subjective assumptions and is a function of our estimated progress toward performance compensation goals at the beginning of the period, and our estimated progress or final assessment of progress toward performance compensation goals at the end of the period. Our estimated progress toward goals under performance equity grants is based on meeting a minimum confidence level in accordance with accounting rules for share-based compensation. Achievement rates can vary by performance cycle and from period to period, resulting in variability in our compensation expense.

If we had accrued all performance compensation cost throughout 2016 on the assumption that all plans and active cycles thereunder would be paid out at 100%, we would have recorded $16.8 million less in compensation expense in 2016 than we actually recorded. There are three LTCP cycles the vesting period for which will continue into 2017. If we were to record the performance-based incentive components of these three cycles at current accrual rates during 2017, we estimate that we would record $6.5 million in performance-based incentive compensation for those cycles in 2017.

We account for compensation costs associated with share-based transactions based on the fair value of the instruments issued, net of any estimated award forfeitures. This requires us to make subjective assumptions around the value of the equity at the time of issuance and the expected forfeiture rates, which in both cases are generally based on historical experience. The estimated value of stock options includes assumptions around expected life, stock volatility and dividends. The expected life of our stock option awards are based on the simplified method as prescribed by Staff Accounting Bulletin Topic 14. In all periods, our policy has been to set the value of RSUs and restricted stock awards equal to the value of our underlying common stock on the date of measurement. For grants with graded vesting, we amortize the associated unrecognized compensation cost using an accelerated method. For grants that cliff vest, we amortize the associated unrecognized compensation cost on a straight-line basis over their vesting term. In 2006, we adopted the short-cut method to establish the historical additional paid-in-capital pool ("APIC Pool") related to the tax effects of employee share-based compensation. Any positive balance would be available to absorb tax shortfalls (which occur when the tax deductions resulting from share-based compensation are less than the related book expense) recognized subsequent to the adoption of the stock-based compensation guidance.

As described in Note 2, "*Summary of Significant Accounting Policies,*" certain elements of our accounting for compensation costs associated with share-based transactions will change upon adoption of ASC 2016-09. We will no longer account for these costs net of estimated award forfeitures. Instead, we will adjust compensation expense recognized to date in the event of canceled awards as they occur. Additionally, tax windfalls and shortfalls related to the tax effects of employee share-based compensation will no longer reside within additional paid-in-capital. Rather, these windfalls and shortfalls will be included in our tax provision. We will also adjust our disclosures included within our Consolidated Statements of Cash Flows. Tax windfalls and shortfalls related to employee share-based compensation awards will be included within operating activities and cash paid to tax authorities for shares withheld will be included within financing activities. Although these changes will have no impact on the amount of share-based compensation expense we ultimately recognize, the inclusion of windfalls and shortfalls in the tax provision could increase our earnings volatility between periods.

The below table summarizes our performance-based and other share-based compensation expense for 2016, 2015 and 2014, in thousands:

	2016	2015	2014
Short-term incentive compensation	$20,516	$19,098	$20,404
Time-based awards (a)	7,847	7,874	6,734
Performance-based awards (a) (b)	12,812	5,340	8,947
Other share-based compensation	1,899	2,090	2,814
Total performance-based and other share-based compensation expense	$43,074	$34,402	$38,899

(a) For both 2016 and 2015, less than 2% of the aggregate expense associated with time-based and performance-based awards related to cash awards. All expense for 2014 relates to equity awards.

(b) Includes a charge of $3.0 million, $1.1 million and $4.8 million in 2016, 2015 and 2014, respectively, to increase the accrual rates under our LTCP driven by the Company's success toward achieving goals for the related cycles.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statement of Income in the period in which the change was enacted. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if management has determined that it is more likely than not that such assets will not be realized.

In addition, the calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws. We are subject to examinations by the Internal Revenue Service ("IRS") and other taxing jurisdictions on various tax matters, including challenges to various positions we assert in our filings. In the event that the IRS or another taxing jurisdiction levies an assessment in the future, it is possible the assessment could have a material adverse effect on our consolidated financial condition or results of operations.

The financial statement recognition of the benefit for a tax position is dependent upon the benefit being more likely than not to be sustainable upon audit by the applicable tax authority. If this threshold is met, the tax benefit is then measured and recognized at the largest amount that is greater than 50 percent likely of being realized upon ultimate settlement. In the event that the IRS or another taxing jurisdiction levies an assessment in the future, it is possible the assessment could have a material adverse effect on our consolidated financial condition or results of operations.

Between 2006 and 2016, we paid approximately $375.0 million in foreign taxes for which we have claimed foreign tax credits against our U.S. tax obligations. Of this amount, $236.1 million relates to taxes paid to foreign governments that have tax treaties with the U.S. It is possible that as a result of tax treaty procedures, the U.S. government may reach an agreement with the related foreign governments that will result in a partial refund of foreign taxes paid with a related reduction in our foreign tax credits. Due to both foreign currency fluctuations and differences in the interest rate charged by the U.S. government compared to the interest rates, if any, used by the foreign governments, any such agreement could result in net interest expense and/or foreign currency gain or loss.

During both 2016 and 2015, we estimated research and development credits that resulted in an approximately $2.1 million tax benefit, net of any unrecognized tax benefits, for each respective year. During 2016, we completed a study for certain domestic production activities for the periods from 2010 to 2015 and amended our United States federal income tax returns for the periods from 2011 through 2014 to claim deductions related to domestic production activities for those periods. After all periods were amended and the 2015 federal income tax return was filed, we recognized a net benefit after consideration of any unrecognized tax benefits from the deductions in the amount of $23.6 million. Additionally, in 2016, we recognized a benefit after consideration of any unrecognized tax benefits of $8.3 million for the domestic production activities deduction for 2016.

During 2014, we completed research and development credit studies for the periods from 2010 to 2013 and amended our United States federal income tax returns for the periods from 2010 through 2012 to claim the research and development credit for those periods. After all periods were amended and the 2013 federal income tax return was filed, we recognized a net benefit after consideration of any unrecognized tax benefits from the tax credits in the amount of $5.7 million. Additionally, in 2014, we recognized a benefit after consideration of any unrecognized tax benefits of $0.9 million for the estimated research and development credit for 2014. In addition, in 2014, we recorded $0.7 million of unrecognized tax benefits related to other matters.

New Accounting Guidance

Accounting Standards Update: Leases

In February 2016, the FASB issued new guidance related to leases that outlines a comprehensive lease accounting model and supersedes the current lease guidance. The new guidance requires lessees to recognize lease liabilities and corresponding right-of-use assets for all leases with lease terms of greater than 12 months. It also changes the definition of a lease and expands the disclosure requirements of lease arrangements. The new guidance must be adopted using the modified retrospective approach and will be effective for the Company starting in the first quarter of 2020. Early adoption is permitted. We are in the process of determining the effect the adoption will have on the Company's consolidated financial statements.

Accounting Standards Update: Stock Compensation

In March 2016, the FASB issued ASU No. 2016-09, "Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The guidance is effective for the interim and annual periods beginning on or after December 15, 2016. As described in Note 2, "*Summary of Significant Accounting Policies,*" certain elements of our accounting for compensation costs associated with share-based transactions will change upon adoption of ASC 2016-09. We will no longer account for these costs net of estimated award forfeitures. Instead, we will adjust expense recognized to date in the event of canceled awards as they occur. Additionally, tax windfalls and shortfalls related to the tax effects of employee share-based compensation will no longer reside within additional paid-in-capital. Rather, these windfalls and shortfalls will be included in our tax provision. We will also adjust our disclosures included within our Consolidated Statements of Cash Flows. Tax windfalls and shortfalls related to employee share-based compensation awards will be included within operating activities and cash paid to tax authorities for shares withheld will be included within financing activities. Although these changes will have no impact on the amount of share-based compensation expense we ultimately recognize, the inclusion of windfalls and shortfalls in the tax provision could increase our earnings volatility between periods.

Accounting Standards Update: Consolidation

In February 2015, the FASB issued ASU No. 2015-2, "Consolidation (Topic 820): Amendments to the Consolidation Analysis." ASU 2015-2 provides a revised consolidation model for all reporting entities to use in

evaluating whether they should consolidate certain legal entities. All legal entities will be subject to reevaluation under this revised consolidation model. The revised consolidation model, among other things, (i) modifies the evaluation of whether limited partnerships and similar legal entities are voting interest entities, or VIEs, (ii) eliminates the presumption that a general partner should consolidate a limited partnership and (iii) modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships. ASU 2015-2 is effective for fiscal years, and interim reporting periods within those fiscal years, beginning after December 15, 2015. The amended standard has not had any effect on the Company's financial position or results of operations.

Accounting Standards Update: Revenue Recognition

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2017 (early adoption is permitted as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within those annual periods). The guidance permits the use of either a retrospective or cumulative effect transition method.

The Company does not intend to adopt the new guidance early and is in the process of determining the adoption method as well as the effects the adoption will have on its consolidated financial statements. Although we have not finalized our evaluation of the impact this accounting guidance will have on our consolidated financial statements, we expect that revenue from both our fixed-fee and per-unit licensees will be impacted. Under the new standard, the Company may be required to recognize up to a substantial majority of the royalties under a fixed-fee license agreement upfront upon entry into the agreement, as opposed to recognizing the royalties on a quarterly basis over the term of the agreement, which has been our historical practice. This could impact the revenue recognition of all of our fixed-fee patent license agreements, including certain fixed-fee agreements that cover both our current technologies and future technologies that are added to our portfolio during the term of the license, such as our patent license agreements with Apple and Samsung. In addition, under our existing policy, we recognize revenue from our per-unit royalty agreements one quarter in arrears from the period in which the underlying sales occurred. Upon adoption of the new accounting guidance, we will be required to record per-unit royalty revenue during the period in which the sales occurred based on estimates of our licensees' sales, which will result in the recognition of an adjustment to true up revenue to the actual amounts reported by our licensees.

Legal Proceedings

We are routinely involved in disputes associated with enforcement and licensing activities regarding our intellectual property, including litigations, arbitrations and other proceedings. These litigations, arbitrations and other proceedings are important means to enforce our intellectual property rights. We are a party to other disputes and legal actions not related to our intellectual property, but also arising in the ordinary course of our business. Refer to Part I, Item 3, of this Form 10-K for a description of our material legal proceedings.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash, cash equivalents and short-term investments, as well as cash generated from operations. We believe we have the ability to obtain additional liquidity through debt and equity financings. Based on our past performance and current expectations, we believe our available sources of funds, including cash, cash equivalents and short-term investments and cash generated from our operations, will be sufficient to finance our operations, capital requirements, debt obligations, existing stock repurchase program and dividend program for the next twelve months.

Cash, cash equivalents and short-term investments

At December 31, 2016 and December 31, 2015, we had the following amounts of cash, cash equivalents and short-term investments (in thousands):

	December 31, 2016	December 31, 2015	Increase / (Decrease)
Cash and cash equivalents	$404,074	$510,207	$(106,133)
Short-term investments	548,687	423,501	125,186
Total cash and cash equivalents and short-term investments	$952,761	$933,708	$ 19,053

The increase in cash, cash equivalents and short-term investments was primarily attributable to $430.8 million of cash provided by operating activities. This increase was partially offset by the repayment of the $230.0 million aggregate principal amount of our 2.50% senior convertible notes (the "2016 Notes") that became due in March 2016, share repurchases of $64.7 million, capitalized patent costs and patent acquisitions of $37.6 million and dividend payments of $31.1 million. Additionally, as discussed above, we acquired Hillcrest Labs in December 2016 for approximately $48.0 million in cash.

Cash flows from operations

We generated the following cash flows from our operating activities in 2016 and 2015 (in thousands):

	For the Year Ended December 31,		
	2016	2015	Increase / (Decrease)
Cash flows provided by operating activities	$430,778	$114,499	$316,279

Our cash flows provided by operating activities are principally derived from cash receipts from patent license and technology solutions agreements offset by cash operating expenses and income tax payments. The increase in cash flows provided by operating activities of $316.3 million was primarily attributable to an increase in cash receipts of $311.9 million. This increase in cash receipts was attributable to new agreements signed during 2016. The table below provides the significant items comprising our cash flows provided by operating activities during the years ended December 31, 2016 and 2015 (in thousands).

	For the Year Ended December 31,		
	2016	2015	Increase / (Decrease)
Cash Receipts:			
Fixed-fee royalty payments (a)	$ 485,245	$ 136,084	$349,161
Current royalties (b)	158,899	223,270	(64,371)
Prepaid royalties (c)	70,495	38,226	32,269
Technology solutions	5,300	10,445	(5,145)
Total cash receipts	$ 719,939	$ 408,025	$311,914
Cash Outflows:			
Cash operating expenses (d)	(153,955)	(169,954)	15,999
Income taxes paid (e)	(108,635)	(85,780)	(22,855)
Total cash outflows	(262,590)	(255,734)	(6,856)
Other working capital adjustments	(26,571)	(37,792)	11,221
Cash flows provided by operating activities	$ 430,778	$ 114,499	$316,279

(a) Fixed-fee royalty payments for the years ended December 31, 2016 and 2015 include $255.1 million and $1.1 million, respectively, of cash receipts recognized as past sales revenue.

(b) Current patent royalty payments for the year ended December 31, 2016 includes $7.8 million of cash receipts recognized as past sales revenue.

(c) Prepaid patent royalty payments for the years ended December 31, 2016 and 2015 include $37.3 million and $24.8 million, respectively, of cash receipts recognized as past sales revenue.

(d) Cash operating expenses include operating expenses less depreciation of fixed assets, amortization of patents, and non-cash compensation.

(e) Income taxes paid include foreign withholding taxes.

Working capital

We believe that working capital, adjusted to exclude cash, cash equivalents and short-term investments and to include current deferred revenue provides additional information about non-cash assets and liabilities that might affect our near-term liquidity. While we believe cash and short-term investments are important measures of our liquidity, the remaining components of our current assets and current liabilities, with the exception of deferred revenue, could affect our near-term liquidity and/or cash flow. We have no material obligations associated with our deferred revenue, and the amortization of deferred revenue has no impact on our future liquidity and/or cash flow. Our adjusted working capital, a non-GAAP financial measure, reconciles to working capital, the most directly comparable GAAP financial measure, at December 31, 2016 and December 31, 2015 (in thousands) as follows:

	For the Year Ended December 31,		
	2016	2015	Increase / (Decrease)
Current assets	$1,221,119	$1,010,967	$ 210,152
Less: current liabilities	425,480	399,973	25,507
Working capital	795,639	610,994	184,645
Subtract:			
Cash and cash equivalents	404,074	510,207	(106,133)
Short-term investments	548,687	423,501	125,186
Add:			
Current deferred revenue	360,192	106,229	253,963
Adjusted working capital	$ 203,070	$ (216,485)	$ 419,555

The $419.6 million net increase in adjusted working capital in 2016 compared to 2015 is primarily attributable to the repayment of the 2016 Notes in first quarter 2016, which resulted in a $227.2 million decrease in current liabilities, as well as an increase in accounts receivable of $174.6 million primarily related to new agreements signed during the year. Additionally, prepaid and other current assets increased $16.5 million primarily due to the second quarter 2016 recognition of a $29.4 million discrete gross benefit within our tax provision related to tax refunds expected on amended returns associated with available deductions for certain domestic production activities

Cash used in or provided by investing and financing activities

We used net cash in investing activities of $219.0 million and $214.0 million, respectively, in 2016 and 2015. We purchased $125.6 million and $147.9 million, net of sales, of short-term marketable securities in 2016 and 2015, respectively. Investment costs associated with capitalized patent costs and acquisition of patent costs

decreased to $37.6 million in 2016 from $49.8 million in 2015, primarily due to the inclusion in 2015 of a final payment of $20.0 million on a $45.0 million patent acquisition made in 2014. During fourth quarter 2016, we acquired Hillcrest Labs for $48.0 million as more fully discussed above. Additionally, long-term investments decreased by $10.6 million due to a decrease in strategic investment activity.

Net cash used in financing activities for 2016 was $317.9 million, a $499.0 million change from $181.1 million net cash generated in 2015. This change was primarily attributable to the $230.0 million repayment of the 2016 Notes in first quarter 2016 as compared to the $306.7 million in net proceeds from the issuance and sale of the 1.50% senior convertible notes due 2020 (the "2020 Notes") in first quarter 2015. This change was partially offset by a $31.7 million decrease in repurchases of common stock in 2016 and $16.5 million of net costs for the bond hedge and warrant transactions entered into in first quarter 2015 in connection with the offering of the 2020 Notes

Other

Our combined short-term and long-term deferred revenue balance at December 31, 2016 was approximately $621.2 million, an increase of $225.9 million from December 31, 2015. We have no material obligations associated with such deferred revenue. The increase in deferred revenue was primarily due to a gross increase in deferred revenue of $527.0 million primarily associated with $370.8 million collected from new fixed-fee agreements signed in 2016 and an additional $180.3 million due within twelve months, which were partially offset by $321.3 million of deferred revenue recognized. The deferred revenue recognized was comprised of $177.6 million of amortized fixed-fee royalty payments, $121.5 million of past patent royalties and $22.2 million in per-unit exhaustion of prepaid royalties (based upon royalty reports provided by our licensees).

Based on current license agreements, we expect the amortization of fixed-fee royalty payments and the scheduled expiration of an agreement to reduce the December 31, 2016 deferred revenue balance of $621.2 million by $360.2 million over the next twelve months. Additional reductions to deferred revenue over the next twelve months will be dependent upon the level of per-unit royalties our licensees report against prepaid balances.

Contractual Obligations

On March 11, 2015, InterDigital entered into an indenture, by and between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee, pursuant to which the 2020 Notes were issued. The 2020 Notes bear interest at a rate of 1.50% per year, payable in cash on March 1 and September 1 of each year, commencing September 1, 2015, and mature on March 1, 2020, unless earlier converted or repurchased.

For more information on the 2020 Notes, see Note 6, "*Obligations*," in the Notes to Consolidated Financial Statements included in Part II, Item 8, of this Form 10-K.

The following table summarizes our contractual obligations as of December 31, 2016 (in thousands):

	Payments Due by Period				
	Total	Less Than 1 year	1-3 Years	3-5 Years	Thereafter
2020 Notes	$316,000	$ —	$ —	$316,000	$ —
Contractual interest payments on the 2020 Notes	16,590	4,740	9,480	2,370	—
Operating lease obligations	20,516	4,389	6,473	4,225	5,429
Purchase obligations (a)	19,081	19,081	—	—	—
Total contractual obligations	$372,187	$28,210	$15,953	$322,595	$5,429

(a) Purchase obligations consist of agreements to purchase goods and services that are legally binding on us, as well as accounts payable. Our consolidated balance sheet at December 31, 2016 includes a $10.4 million noncurrent liability for uncertain tax positions. The future payments related to uncertain tax positions have not been presented in the table above due to the uncertainty of the amounts and timing of cash settlement with the taxing authorities.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined by Item 303(a)(4) of Regulation S-K.

RESULTS OF OPERATIONS

2016 Compared with 2015

Revenues

The following table compares 2016 revenues to 2015 revenues (in thousands):

	For the Year Ended December 31,		(Decrease)/Increase	
	2016	2015		
Per-unit royalty revenue	$168,050	$234,836	$ (66,786)	(28)%
Fixed-fee amortized royalty revenue	177,614	131,837	45,777	35%
Current patent royalties (a)	345,664	366,673	(21,009)	(6)%
Past patent royalties (b)	309,696	65,814	243,882	371%
Total patent licensing royalties	655,360	432,487	222,873	52%
Current technology solutions revenue (a)	10,494	6,096	4,398	72%
Past technology solutions revenue (b)	—	2,852	(2,852)	(100)%
Total revenue	$665,854	$441,435	$224,419	51%

(a) Recurring revenues consist of current patent royalties and current technology solutions revenue.

(b) Past sales consist of past patent royalties and past technology solutions revenue. Pegatron's fourth quarter 2016 per-unit royalties are included in past patent royalties as a result of the new agreement signed with Apple during fourth quarter 2016.

The $224.4 million increase in total revenue was primarily attributable to the signing of our new patent license agreements with Huawei and Apple in third quarter and fourth quarter 2016, respectively, which drove a $243.9 million increase in past patent royalties, which was partially offset by a $16.6 million decrease in recurring revenue. Per-unit royalty revenue decreased $66.8 million as compared to 2015 primarily due to decreased shipments by Pegatron and our other Taiwan-based licensees and the inclusion in past patent royalties of Pegatron's fourth quarter 2016 per-unit royalties as a result of the new agreement signed with Apple. The decrease in per-unit royalty revenue was partially offset by a $45.8 million increase in fixed-fee amortized royalty revenue primarily related to the Huawei and Apple agreements.

In 2016 and 2015, 78% and 61% of our total revenues, respectively, were attributable to companies that individually accounted for 10% or more of our total revenues. In 2016 and 2015, the following licensees or customers accounted for 10% or more of our total revenues:

	For the Year Ended December 31,	
	2016	2015
Apple (a)	25%	—%
Huawei (b)	23%	—%
Pegatron (c)	20%	31%
Samsung	10%	16%
Sony (d)	< 10%	14%

(a) 2016 revenues include $141.4 million of past patent royalties.

(b) 2016 revenues include $121.5 million of past patent royalties.

(c) With the entry into the Apple PLA in fourth quarter 2016, we will no longer receive royalties under the 2008 Pegatron PLA for those products that Pegatron produces for Apple which are sold to or for Apple during the term of the Apple PLA. Additionally, we have recorded Pegatron's fourth quarter 2016 per-unit royalties within our past patent royalties as a result of the Apple agreement.

(d) 2015 revenues include $21.9 million of past patent royalties.

Operating Expenses

The following table summarizes the change in operating expenses by category (in thousands):

	For the Year Ended December 31,			
	2016	2015	Increase/(Decrease)	
Patent administration and licensing	$113,544	$120,401	$(6,857)	(6)%
Development	68,733	72,702	(3,969)	(5)%
Selling, general and administrative	46,271	39,783	6,488	16%
Total operating expenses	$228,548	$232,886	$(4,338)	(2)%

Operating expenses decreased 2% to $228.5 million in 2016 from $232.9 million in 2015. The $4.3 million decrease in total operating expenses was primarily due to (decreases)/increases in the following items (in thousands):

	(Decrease)/ Increase
Intellectual property enforcement and non-patent litigation	$(16,140)
Commercial initiatives	(5,717)
Performance-based incentive compensation	9,275
Depreciation and amortization	4,806
Other	2,646
Personnel-related costs	792
Total decrease in operating expenses	$ (4,338)

The $4.3 million decrease in operating expenses was primarily attributable to the $16.1 million decrease in intellectual property enforcement and non-patent litigation primarily related to decreased costs associated with the USITC actions. The $5.7 million decrease in commercial initiatives expenses was primarily attributable to

reduced spending on the development of commercial solutions and on-going efforts to optimize our cost structure. These decreases were partially offset by an increase in performance-based incentive compensation of $9.3 million due to higher accrual rates associated with our short and long-term performance-based compensation plans, following new agreements signed during the year. The $4.8 million increase in depreciation and amortization was primarily attributable to the growth in our patent portfolio driven by both internal patent generation and patent acquisitions in recent years. Personnel-related costs increased $0.8 million primarily due to severance and related expenses associated with ongoing efforts to optimize our cost structure.

Patent administration and licensing expense: The $6.9 million decrease in patent administration and licensing expense primarily resulted from the above-noted decrease in intellectual property enforcement and non-patent litigation. This decrease was partially offset by increases in patent amortization expense and performance-based incentive compensation as discussed above.

Development expense: The $4.0 million decrease in development expense primarily resulted from the above-noted decrease in commercial initiatives expenses. This decrease was partially offset by increased performance-based incentive compensation as discussed above.

Selling, general and administrative expense: The $6.5 million increase in selling, general and administrative expense primarily resulted from the above-noted increase in performance-based incentive compensation. This increase was partially offset by decreased spending related to corporate branding and strategy-related initiatives.

Other (Expense) Income

The following table compares 2016 other (expense) income to 2015 other (expense) income (in thousands):

	For the Year Ended December 31,		(Decrease)/Increase	
	2016	2015		
Interest expense	$(21,126)	$(30,417)	$ 9,291	(31)%
Interest and investment income	3,748	3,858	(110)	(3)%
Other (a)	2,343	(975)	3,318	(340)%
	$(15,035)	$(27,534)	$12,499	(45)%

(a) Includes other-than-temporary impairments.

In 2016, other expense was $15.0 million as compared to other expense of $27.5 million in 2015. The change in total other expense was primarily due to lower interest expense as a result of the repayment of the $230.0 million aggregate principal amount of the 2016 Notes in first quarter 2016 and the increase in other income primarily related to the gain recognized related to the sale of our King of Prussia facility.

Income Taxes

In 2016, our effective tax rate was approximately 27.7% as compared to 35.7% in 2015, based on the statutory federal tax rate net of discrete federal and state taxes. The decrease in the effective tax rate was primarily attributable to the 2016 net benefit received from domestic production activities deductions covering the current year and the periods 2011 through 2015. The inclusion of additional periods in 2016 reduced the 2016 effective tax rate by 5.6%.

2015 Compared with 2014

Revenues

The following table compares 2015 revenues to 2014 revenues (in thousands):

	For the Year Ended December 31,			
	2015	2014	Increase/(Decrease)	
Per-unit royalty revenue	$234,836	$157,250	$ 77,586	49%
Fixed-fee amortized royalty revenue	131,837	121,903	9,934	8%
Current patent royalties (a)	366,673	279,153	87,520	31%
Past patent royalties (b)	65,814	124,236	(58,422)	(47)%
Total patent licensing royalties	432,487	403,389	29,098	7%
Patent sales	—	1,999	(1,999)	100%
Current technology solutions revenue (a)	6,096	9,633	(3,537)	(37)%
Past technology solutions revenue (b)	2,852	800	2,052	257%
Total revenue	$441,435	$415,821	$ 25,614	6%

(a) Recurring revenues consist of current patent royalties and current technology solutions revenue.

(b) Past sales consist of past patent royalties and past technology solutions revenue.

The $25.6 million increase in total revenue was primarily attributable to the $87.5 million increase in current patent royalties. The increase of per-unit royalty revenue of $77.6 million was primarily related to increased shipments by Pegatron and other Taiwan-based licensees. The $9.9 million increase in fixed-fee amortized royalty revenue was primarily attributable to new patent license agreements signed during second quarter 2014. The increase in total revenue was also partially attributable to an increase in past technology solutions revenue of $2.1 million related to a settlement agreement signed during 2015. These increases were partially offset by a decrease of $58.4 million in past patent royalties. The decrease in past sales was primarily related to three new patent license agreements signed during second quarter 2014, partially offset by past sales in 2015 attributable to new agreements signed in 2015. Additionally, current technology solutions revenue decreased by $3.5 million primarily due to decreased shipments of covered products by one of our technology solutions customers. Patent sales decreased by $2.0 million due to the absence of any patent sales in 2015.

In 2015 and 2014, 61% and 51% of our total revenues, respectively, were attributable to companies that individually accounted for 10% or more of our total revenues. In 2015 and 2014, the following licensees or customers accounted for 10% or more of our total revenues:

	For the Year Ended December 31,	
	2015	2014
Pegatron	31%	18%
Samsung (a)	16%	33%
Sony (b)	14%	< 10%

(a) 2014 revenues include $86.3 million of past patent royalties.

(b) 2015 revenues include $21.9 million of past patent royalties.

Operating Expenses

The following table summarizes the change in operating expenses by category (in thousands):

	For the Year Ended December 31,			
	2015	2014	Increase/(Decrease)	
Patent administration and licensing	$120,401	$133,808	$(13,407)	(10)%
Development	72,702	75,300	(2,598)	(3)%
Selling, general and administrative	39,783	37,753	2,030	5%
Total operating expenses	$232,886	$246,861	$(13,975)	(6)%

Operating expenses decreased 6% to $232.9 million in 2015 from $246.9 million in 2014. The $14.0 million decrease in total operating expenses was primarily due to (decreases)/increases in the following items (in thousands):

	Increase/ (Decrease)
Intellectual property enforcement	$(19,572)
Performance-based incentive compensation	(4,165)
Consulting services	(1,022)
Cost of patent sales	(700)
Personnel-related costs	(634)
Bad debt expense	(392)
Other	(86)
Depreciation and amortization	5,675
Commercial initiatives	6,921
Total decrease in operating expenses	$(13,975)

The $14.0 million decrease in operating expenses was primarily attributable to the $19.6 million decrease in intellectual property enforcement and non-patent litigation primarily related to decreased costs associated with the USITC actions, which was partially offset by costs associated with licensee arbitrations. The $4.2 million decrease in performance-based incentive compensation, including both short-term and long-term compensation, was primarily attributable to higher accrual rate true-ups in 2014 as a result of new license agreements signed during 2014. The $1.0 million decrease in consulting services primarily resulted from a reduction in the use of external resources for research and development projects. The $0.7 million decrease in cost of patent sales was due to the absence of patent sales in 2015. Personnel-related costs decreased $0.6 million primarily due to a prior year adjustment related to payroll taxes and employment level tax credits, primarily as a result of an ongoing audit. Bad debt expense decreased $0.4 million as a result of the settlement agreement with a technology solutions customer signed during 2015. The $5.7 million increase in depreciation and amortization was primarily due to patent acquisitions made during 2015 and 2014, along with the organic annual growth of our patent portfolio. The $6.9 million increase in commercial initiatives expense was attributable to activities to commercialize IoT and next generation networks technologies.

Patent administration and licensing expense: The $13.4 million decrease in patent administration and licensing expense primarily resulted from the above-noted decreases in intellectual property enforcement and performance-based incentive compensation, partially offset by increases in patent amortization and patent maintenance and evaluation costs primarily related to the increased growth of the patent portfolio due to patents acquired pursuant to the new agreements signed during 2015.

Development expense: The $2.6 million decrease in development expense was primarily attributable to the above-noted decreases in performance-based incentive compensation, consulting services and personnel costs, partially offset by an increase in costs related to commercial initiatives as described above.

Selling, general and administrative expense: The $2.0 million increase in selling, general and administrative expense was primarily attributable to increases in personnel-related costs and consulting services primarily related to corporate and commercial initiatives.

Other (Expense) Income

The following table compares 2015 other (expense) income to 2014 other (expense) income (in thousands):

	For the Year Ended December 31,			
	2015	2014	(Decrease)/Increase	
Interest expense	$(30,417)	$(16,084)	$(14,333)	89%
Other (a)	(975)	(747)	(228)	31%
Interest and investment income	3,858	1,399	2,459	176%
	$(27,534)	$(15,432)	$(12,102)	78%

(a) Includes other-than-temporary impairments.

The change in other expenses is primarily driven by the increase in interest expense resulting from the 2020 Notes issued during first quarter 2015, partially offset by $1.8 million of interest income related to a settlement agreement with a technology solutions customer.

Income Taxes

In 2015, our effective tax rate was approximately 35.7% as compared to 33.9% in 2014, based on the statutory federal tax rate net of discrete federal and state taxes. The increase in the effective tax rate from 2014 to 2015 resulted primarily from the 2014 net benefit received from research and development tax credits covering the periods 2010 through 2014. The inclusion of additional periods in 2014 accounted for a 2.7% lower effective tax rate in 2014. This benefit in 2014 was partially offset by a 1% effective tax rate increase resulting from higher audit settlements in 2014.

STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 — FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements include certain information in “Part I, Item 1. Business” and “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and other information regarding our current beliefs, plans and expectations, including without limitation the matters set forth below. Words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “forecast,” “believe,” “could,” “would,” “should,” “if,” “may,” “might,” “future,” “target,” “goal,” “trend,” “seek to,” “will continue,” “predict,” “likely,” “in the event,” variations of any such words or similar expressions contained herein are intended to identify such forward-looking statements. Forward-looking statements in this Annual Report on Form 10-K include, without limitation, statements regarding:

(i) Our objective to continue to be a leading designer and developer of technology solutions and innovation for the mobile industry and to monetize those solutions and innovations through a combination of licensing, sales and other revenue opportunities;

(ii) Our plans for executing on our business strategy, including our plans to develop and source innovative technologies related to wireless, establish and grow our patent-based revenue, pursue commercial opportunities for our advanced platforms and solutions, and maintain a collaborative relationship with key industry players and worldwide standards bodies;

(iii) Our belief that our portfolio includes a number of patents and patent applications that are or may be essential or may become essential to cellular and other wireless standards, including 3G, 4G and the IEEE 802 suite of standards, as well as patents and patent applications that we believe may become essential to 5G standards that are under development;

(iv) Our belief that a number of our CDMA and OFDM/OFDMA inventions are, may be or may become essential to the implementation of CDMA and OFDM/OFDMA-based systems in use today;

(v) Our belief that companies making, importing, using or selling products compliant with the standards covered by our patent portfolio require a license under our patents and will require a license under patents that may issue from our pending patent applications;

(vi) Our belief that our ongoing research efforts and associated patenting activities enable us to sell patent assets that are not vital to our core licensing programs, as well as to execute patent swaps that can strengthen our overall portfolio;

(vii) Our belief that our standalone commercial initiatives are potential sources of revenue;

(viii) The predicted increases in worldwide mobile device shipments, including shipments of handsets, and the estimated growth of the IoT market, including the size of the connected device installed base and number of connected device shipments, over the next several years;

(ix) The types of licensing arrangements and various royalty structure models that we anticipate using under our future license agreements;

(x) The possible outcome of audits of our license agreements when underreporting or underpayment is revealed;

(xi) Our belief that our facilities are suitable and adequate for our present purposes and our needs in the near future;

(xii) Our expectation that, as a result of our entry into fixed-fee patent license agreements with Huawei and Apple during 2016, our fixed-fee royalties will be a larger percentage of our recurring revenue in 2017;

(xiii) Our expectation that we will continue to pay a quarterly cash dividend on our common stock comparable to our quarterly $0.30 per share cash dividend in the future;

(xiv) Our belief that intellectual property enforcement costs will likely continue to be a significant expense for us in the future;

(xv) Our belief that our available sources of funds will be sufficient to finance our operations, capital requirements, debt obligations, existing stock repurchase program and dividend program for the next twelve months;

(xvi) Our expectations regarding the potential effects of new accounting standards, including the new revenue recognition guidance, on our financial statements or results of operations;

(xvii) Our expectation that revenue from both our fixed-fee and per-unit licensees will be impacted by the new revenue recognition guidance that becomes effective for the Company in 2018;

(xviii) Our expectations with regard to any current tax audits;

(xix) Our expectation that the amortization of fixed-fee royalty payments and scheduled expiration of an agreement will reduce our deferred revenue balance over the next twelve months;

(xx) Our expectation that after receiving the remaining patents to be transferred from Huawei by June 30, 2017, we will recognize additional past sales and current patent royalties associated with such patents; and

(xxi) The expected timing, outcome and impact of our various litigation, arbitration and administrative matters.

Although the forward-looking statements in this Form 10-K reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements concerning our business, results of operations and financial condition are inherently subject to risks and uncertainties. We caution readers that actual results and outcomes could differ materially from those expressed in or anticipated by such forward-looking statements due to a variety of factors, including, without limitation, the following:

(i) unanticipated difficulties or delays related to the further development of our technologies;

(ii) the failure of the markets for our technologies to materialize to the extent or at the rate that we expect;

(iii) changes in our plans, strategy or initiatives;

(iv) the challenges related to entering into new and renewed patent license agreements and unanticipated delays, difficulties or acceleration in the negotiation and execution of patent license agreements;

(v) our ability to leverage our strategic relationships and secure new patent license and technology solutions agreements on acceptable terms;

(vi) the impact of current trends in the industry that could result in reductions in and/or caps on royalty rates under new patent license agreements;

(vii) changes in the market share and sales performance of our primary licensees, delays in product shipments of our licensees, delays in the timely receipt and final reviews of quarterly royalty reports from our licensees, delays in payments from our licensees and related matters;

(viii) the timing and/or outcome of our various litigation, arbitration, regulatory or administrative proceedings, including any awards or judgments relating to such proceedings, additional legal proceedings, changes in the schedules or costs associated with legal proceedings or adverse rulings in such legal proceedings;

(ix) the determination of royalty rates, or other terms, under our patent license agreements through arbitration or other third party adjudications, or the establishment by arbitrators or other third party adjudicators of patent royalty rates at levels lower than our agreed or historical rates;

(x) the impact of potential patent legislation, USPTO rule changes and international patent rule changes on our patent prosecution and licensing strategies;

(xi) the impact of rulings in legal proceedings, potential legislation affecting the jurisdiction and authority of the USITC and potential changes to the IPR policies of worldwide standards bodies on our investments in research and development and our strategies for patent prosecution, licensing and enforcement;

(xii) the final outcome of our evaluation of the new revenue recognition accounting guidance and the resulting impact on our consolidated financial statements once the guidance is adopted in 2018;

(xiii) the timing and/or outcome of any state or federal tax examinations or audits, changes in tax laws and the resulting impact on our tax assets and liabilities;

(xiv) the effects of any dispositions, acquisitions or other strategic transactions by the Company;

(xv) decreased liquidity in the capital markets; and

(xvi) unanticipated increases in our cash needs or decreases in available cash.

You should carefully consider these factors as well as the risks and uncertainties outlined in greater detail in Part I, Item 1A, in this Form 10-K before making any investment decision with respect to our common stock. These factors, individually or in the aggregate, may cause our actual results to differ materially from our expected and historical results. You should understand that it is not possible to predict or identify all such factors. In addition, you should not place undue reliance on the forward-looking statements contained herein, which are made only as of the date of this Form 10-K. We undertake no obligation to revise or update publicly any forward-looking statement for any reason, except as otherwise required by law.

Item 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.*

Cash Equivalents and Investments

The primary objectives of our investment activities are to preserve principal and maintain liquidity while at the same time capturing a market rate of return. To achieve these objectives, we maintain our portfolio of cash and cash equivalents, and short-term and long-term investments in a variety of securities, including government obligations, corporate bonds and commercial paper.

Interest Rate Risk — We invest our cash in a number of diversified high quality investment-grade fixed and floating rate securities with a fair value of $952.8 million at December 31, 2016. Our exposure to interest rate risks is not significant due to the short average maturity, quality and diversification of our holdings. We do not hold any derivative, derivative commodity instruments or other similar financial instruments in our investment portfolio. The risk associated with fluctuating interest rates is generally limited to our investment portfolio. We believe that a hypothetical 10% change in period-end interest rates would not have a significant impact on our results of operations or cash flows.

The following table provides information about our interest-bearing securities that are sensitive to changes in interest rates as of December 31, 2016. The table presents principal cash flows, weighted-average yield at cost and contractual maturity dates. Additionally, we have assumed that these securities are similar enough within the specified categories to aggregate these securities for presentation purposes.

Interest Rate Sensitivity
Principal Amount by Expected Maturity
Average Interest Rates
(in thousands)

	2017	2018	2019	2020	2020	Thereafter	Total
Money market and demand accounts	$404,074	$ —	$ —	$—	$—	$—	$404,074
Short-term investments	$404,751	$118,511	$25,425	$—	$—	$—	$548,687
Average Interest rate	0.7%	1.4%	1.3%	—%	—%	—%	0.8%

Cash and cash equivalents and available-for-sale securities are recorded at fair value.

Bank Liquidity Risk — As of December 31, 2016, we had approximately $404.1 million in operating accounts that are held with domestic and international financial institutions. The majority of these balances are held with domestic financial institutions. While we monitor daily cash balances in our operating accounts and adjust the cash balances as appropriate, these cash balances could be lost or become inaccessible if the underlying financial institutions fail or if they are unable to meet the liquidity requirements of their depositors. Notwithstanding, we have not incurred any losses and have had full access to our operating accounts to date.

Foreign Currency Exchange Rate Risk — We are exposed to limited risk from fluctuations in currencies, which might change over time as our business practices evolve, that could impact our operating results, liquidity and financial condition. We operate and invest globally. Adverse movements in currency exchange rates might negatively affect our business due to a number of situations. Currently, our international licensing agreements are typically made in U.S. dollars and are generally not subject to foreign currency exchange rate risk. We do not engage in foreign exchange hedging transactions at this time.

Between 2006 and 2016, we paid approximately $375.0 million in foreign taxes for which we have claimed foreign tax credits against our U.S. tax obligations. It is possible that as a result of tax treaty procedures, the U.S. government may reach an agreement with the related foreign governments that will result in a partial refund of foreign taxes paid with a related reduction in our foreign tax credits. Due to both foreign currency fluctuations and differences in the interest rate charged by the U.S. government compared to the interest rates, if any, used by the foreign governments, any such agreement could result in interest expense and/or foreign currency gain or loss.

Investment Risk — We are exposed to market risk as it relates to changes in the market value of our short-term and long-term investments in addition to the liquidity and creditworthiness of the underlying issuers of our investments. We hold a diversified investment portfolio, which includes, fixed and floating-rate, investment-grade marketable securities, mortgage and asset-backed securities and U.S. government and other securities. The instruments included in our portfolio meet high credit quality standards, as specified in our investment policy guidelines. This policy also limits our amount of credit exposure to any one issue, issuer and type of instrument. Given that the guidelines of our investment policy prohibit us from investing in anything but highly rated instruments, our investments are not subject to significant fluctuations in fair value due to the volatility of the credit markets and prevailing interest rates for such securities. Our marketable securities, consisting of government obligations, corporate bonds and commercial paper, are classified as available-for-sale with a fair value of $548.7 million as of December 31, 2016.

Equity Risk — We are exposed to changes in the market-traded price of our common stock as it influences the calculation of earnings per share. In connection with the offering of the 2020 Notes, we entered into convertible note hedge transactions with option counterparties. We also sold warrants to the option counterparties. These transactions have been accounted for as an adjustment to our shareholders' equity. The convertible note hedge transactions are expected to reduce the potential equity dilution upon conversion of the 2020 Notes. The warrants along with any shares issuable upon conversion of the 2020 Notes will have a dilutive effect on our earnings per share to the extent that the average market price of our common stock for a given reporting period exceeds the applicable strike price or conversion price of the warrants or convertible 2020 Notes, respectively.

Item 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.*

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All other schedules are omitted because they are either not required or applicable or equivalent information has been included in the financial statements and notes thereto.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of InterDigital, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of InterDigital, Inc. and its subsidiaries at December 31, 2016 and December 31, 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's Annual Report on Internal Control Over Financial Reporting" appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
February 23, 2017

INTERDIGITAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	DECEMBER 31, 2016	DECEMBER 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 404,074	$ 510,207
Short-term investments	548,687	423,501
Accounts receivable	228,464	53,868
Prepaid and other current assets	39,894	23,391
Total current assets	1,221,119	1,010,967
PROPERTY AND EQUIPMENT, NET	12,626	12,148
PATENTS, NET	310,768	277,579
DEFERRED TAX ASSETS	149,532	160,572
OTHER NON-CURRENT ASSETS	33,808	13,219
	506,734	463,518
TOTAL ASSETS	$1,727,853	$1,474,485
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ —	$ 227,174
Accounts payable	14,050	19,002
Accrued compensation and related expenses	22,065	26,013
Deferred revenue	360,192	106,229
Taxes payable	10,660	1,405
Dividend payable	10,290	7,068
Other accrued expenses	8,223	13,082
Total current liabilities	425,480	399,973
LONG-TERM DEBT	272,021	259,595
LONG-TERM DEFERRED REVENUE	261,013	289,039
OTHER LONG-TERM LIABILITIES	14,971	3,983
TOTAL LIABILITIES	973,485	952,590
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred Stock, $0.10 par value, 14,399 shares authorized, 0 shares issued and outstanding	—	—
Common Stock, $0.01 par value, 100,000 shares authorized, 70,318 and 70,130 shares issued and 34,298 and 35,414 shares outstanding	703	701
Additional paid-in capital	683,549	663,073
Retained earnings	1,120,766	847,033
Accumulated other comprehensive loss	(514)	(178)
	1,804,504	1,510,629
Treasury stock, 36,020 and 34,716 shares of common held at cost	1,064,795	1,000,110
Total InterDigital, Inc. shareholders' equity	739,709	510,519
Noncontrolling interest	14,659	11,376
Total equity	754,368	521,895
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,727,853	$1,474,485

The accompanying notes are an integral part of these statements.

INTERDIGITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	FOR THE YEAR ENDED DECEMBER 31,		
	2016	2015	2014
REVENUES:			
Patent licensing royalties	$ 655,360	$432,488	$403,389
Patent sales	—	—	1,999
Technology solutions	10,494	8,947	10,433
Total Revenue	665,854	441,435	415,821
OPERATING EXPENSES:			
Patent administration and licensing	113,544	120,401	133,808
Development	68,733	72,702	75,300
Selling, general and administrative	46,271	39,783	37,753
Total Operating Expenses	228,548	232,886	246,861
Income from operations	437,306	208,549	168,960
OTHER EXPENSE (NET)	(15,035)	(27,534)	(15,432)
Income before income taxes	422,271	181,015	153,528
INCOME TAX PROVISION	(116,791)	(64,621)	(52,108)
NET INCOME	$ 305,480	$116,394	$101,420
Net loss attributable to noncontrolling interest	(3,521)	(2,831)	(2,922)
NET INCOME ATTRIBUTABLE TO INTERDIGITAL, INC.	$ 309,001	$119,225	$104,342
NET INCOME PER COMMON SHARE — BASIC	$ 8.95	$ 3.31	$ 2.65
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING — BASIC	34,526	36,048	39,420
NET INCOME PER COMMON SHARE — DILUTED	$ 8.78	$ 3.27	$ 2.62
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING — DILUTED	35,189	36,463	39,879
CASH DIVIDENDS DECLARED PER COMMON SHARE	$ 1.00	$ 0.80	$ 0.70

The accompanying notes are an integral part of these statements.

INTERDIGITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	For the Year Ended December 31,		
	2016	2015	2014
Net income	$305,480	$116,394	$101,420
Unrealized (loss) gain investments, net of tax	(336)	(296)	12
Other-than-temporary impairment losses related to available for sale securities, net of income taxes of $0, $0, $65	—	—	120
Comprehensive income	$305,144	$116,098	$101,552
Comprehensive loss attributable to noncontrolling interest	(3,521)	(2,831)	(2,922)
Total comprehensive income attributable to InterDigital, Inc.	$308,665	$118,929	$104,474

The accompanying notes are an integral part of these statements.

INTERDIGITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except per share data)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Non-Controlling Interest	Total Shareholders' Equity
	Shares	Amount				Shares	Amount		
BALANCE, DECEMBER 31, 2013	**69,614**	**$696**	**$598,325**	**$ 680,718**	**$ (14)**	**29,326**	**$ (751,075)**	**$ 5,170**	**$ 533,820**
Net income attributable to InterDigital, Inc.	—	—	—	104,342	—	—	—	—	104,342
Proceeds from noncontrolling interests	—	—	—	—	—	—	—	5,101	5,101
Net (loss) income attributable to noncontrolling interest	—	—	—	—	—	—	—	(2,922)	(2,922)
Net change in unrealized gain on short-term investments	—	—	—	—	132	—	—	—	132
Dividends Declared	—	—	857	(28,010)	—	—	—	—	(27,153)
Exercise of Common Stock options	21	—	402	—	—	—	—	—	402
Issuance of Common Stock, net	165	2	(2,740)	—	—	—	—	—	(2,738)
Tax benefit from exercise of stock options	—	—	(1,176)	—	—	—	—	—	(1,176)
Amortization of unearned compensation	—	—	18,494	—	—	—	—	—	18,494
Repurchase of Common Stock	—	—	—	—	—	3,554	(152,625)	—	(152,625)
BALANCE, DECEMBER 31, 2014	**69,800**	**$698**	**$614,162**	**$ 757,050**	**$ 118**	**32,880**	**$ (903,700)**	**$ 7,349**	**$ 475,677**
Net income attributable to InterDigital, Inc.	—	—	—	119,225	—	—	—	—	119,225
Proceeds from noncontrolling interests	—	—	—	—	—	—	—	9,358	9,358
Distribution preference	—	—	—	—	—	—	—	(2,500)	(2,500)
Net (loss) income attributable to noncontrolling interest	—	—	—	—	—	—	—	(2,831)	(2,831)
Net change in unrealized gain on short-term investments	—	—	—	—	(296)	—	—	—	(296)
Dividends Declared	—	—	694	(29,242)	—	—	—	—	(28,548)
Exercise of Common Stock options	5	—	46	—	—	—	—	—	46
Issuance of Common Stock, net	325	3	(9,849)	—	—	—	—	—	(9,846)
Tax benefit from exercise of stock options	—	—	2,457	—	—	—	—	—	2,457
Amortization of unearned compensation	—	—	15,139	—	—	—	—	—	15,139
Repurchase of Common Stock	—	—	—	—	—	1,836	(96,410)	—	(96,410)
Equity Component of Debt, net of tax	—	—	38,567	—	—	—	—	—	38,567
Convertible note hedge transactions, net of tax	—	—	(38,594)	—	—	—	—	—	(38,594)
Warrant transactions	—	—	42,881	—	—	—	—	—	42,881
Deferred financing costs allocated to equity	—	—	(2,430)	—	—	—	—	—	(2,430)
BALANCE, DECEMBER 31, 2015	**70,130**	**$701**	**$663,073**	**$ 847,033**	**$(178)**	**34,716**	**$(1,000,110)**	**$11,376**	**$ 521,895**
Net income attributable to InterDigital, Inc.	—	—	—	309,001	—	—	—	—	309,001
Proceeds from noncontrolling interests	—	—	—	—	—	—	—	6,804	6,804
Net (loss) income attributable to noncontrolling interest	—	—	—	—	—	—	—	(3,521)	(3,521)
Net change in unrealized gain on short-term investments	—	—	—	—	(336)	—	—	—	(336)
Dividends Declared	—	—	907	(35,268)	—	—	—	—	(34,361)
Exercise of Common Stock options and warrants	51	1	485	—	—	—	—	—	486
Issuance of Common Stock, net	137	1	(3,381)	—	—	—	—	—	(3,380)
Tax benefit from exercise of stock options	—	—	625	—	—	—	—	—	625
Amortization of unearned compensation	—	—	21,840	—	—	—	—	—	21,840
Repurchase of Common Stock	—	—	—	—	—	1,304	(64,685)	—	(64,685)
BALANCE, DECEMBER 31, 2016	**70,318**	**$703**	**$683,549**	**$1,120,766**	**$(514)**	**36,020**	**$(1,064,795)**	**$14,659**	**$ 754,368**

The accompanying notes are an integral part of these statements

INTERDIGITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	FOR THE YEAR ENDED DECEMBER 31,		
	2016	**2015**	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 305,480	$ 116,394	$ 101,420
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	52,753	47,793	42,246
Amortization of deferred financing fees and accretion of debt discount	15,252	20,869	10,325
Deferred revenue recognized	(321,313)	(163,354)	(163,139)
Increase in deferred revenue	527,034	113,962	272,885
Deferred income taxes	13,261	(34,770)	(62,979)
Tax benefit from share-based compensation	—	—	(1,176)
Share-based compensation	21,840	15,139	18,494
Impairment of investments	182	198	559
Non-cash cost of patent sales	—	—	700
Gain on disposal of assets	(3,351)	—	—
Other	(214)	238	572
Decrease (Increase) in assets:			
Receivables	(169,927)	(2,166)	26,128
Deferred charges and other assets	(15,222)	8,489	6,156
(Decrease) Increase in liabilities:			
Accounts payable	(5,564)	2,503	(10,396)
Accrued compensation and other expenses	1,774	(12,297)	5,853
Accrued taxes payable and other tax contingencies	8,793	1,501	(5,635)
Net cash provided by operating activities	430,778	114,499	242,013
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of short-term investments	(560,075)	(643,087)	(438,157)
Sales of short-term investments	434,510	495,201	363,175
Purchases of property and equipment	(5,882)	(3,700)	(7,095)
Capitalized patent costs	(32,658)	(29,766)	(31,932)
Acquisition of patents	(4,900)	(20,000)	(26,300)
Acquisition of business, net of cash acquired	(48,000)	—	—
Long-term investments	(2,000)	(12,623)	—
Net cash used in investing activities	(219,005)	(213,975)	(140,309)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from exercise of stock options	485	46	402
Proceeds from issuance of senior convertible notes	—	316,000	—
Payments on long-term debt	(230,000)	—	—
Proceeds from other financing activities	—	4,500	—
Purchase of convertible bond hedge	—	(59,376)	—
Proceeds from issuance of warrants	—	42,881	—
Payments of debt issuance costs	—	(9,403)	—
Proceeds from non-controlling interests	6,804	9,358	5,101
Dividends paid	(31,135)	(28,937)	(23,729)
Tax benefit from share-based compensation	625	2,457	—
Repurchase of common stock	(64,685)	(96,410)	(152,625)
Net cash (used in) provided by financing activities	(317,906)	181,116	(170,851)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(106,133)	81,640	(69,147)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	510,207	428,567	497,714
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 404,074	$ 510,207	$ 428,567
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	7,615	7,988	5,750
Income taxes paid, including foreign withholding taxes	108,635	85,780	114,876
Non-cash investing and financing activities:			
Dividend payable	10,290	7,068	7,456
Non-cash acquisition of patents	7,900	24,123	19,250
Accrued capitalized patent costs and acquisition of patents	(146)	18,155	20,546

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016

1. BACKGROUND

InterDigital designs and develops advanced technologies that enable and enhance wireless communications and capabilities. Since our founding in 1972, we have designed and developed a wide range of innovations that are used in digital cellular and wireless products and networks, including 2G, 3G, 4G and IEEE 802-related products and networks. We are a leading contributor of innovation to the wireless communications industry.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include all of our accounts and all entities in which we have a controlling interest and/or are required to be consolidated in accordance with the Generally Accepted Accounting Principles in the United States ("GAAP"). All significant intercompany accounts and transactions have been eliminated in consolidation.

In determining whether we are the primary beneficiary of a variable interest entity and therefore required to consolidate, we apply a qualitative approach that determines whether we have both the power to direct the economically significant activities of the entity and the obligation to absorb losses of, or the right to receive benefits from, the entity that could potentially be significant to that entity. These considerations impact the way we account for our existing collaborative relationships and other arrangements. We continuously assess whether we are the primary beneficiary of a variable interest entity as changes to existing relationships or future transactions may result in us consolidating or deconsolidating our partner(s) to collaborations and other arrangements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 these estimates. If different assumptions were made or different conditions had existed, our financial results could have been materially different.

Cash and Cash Equivalents

We classify all highly liquid investment securities with original maturities of three months or less at date of purchase as cash equivalents. Our investments are comprised of mutual and exchange traded funds, commercial paper, United States and municipal government obligations and corporate securities. Management determines the appropriate classification of our investments at the time of acquisition and re-evaluates such determination at each balance sheet date.

Cash and cash equivalents at December 31, 2016 and 2015 consisted of the following (in thousands):

	December 31,	
	2016	2015
Money market and demand accounts	$404,074	$333,671
Commercial paper	—	176,536
	$404,074	$510,207

Short-Term Investments

At December 31, 2016 and 2015, all marketable securities have been classified as available-for-sale and are carried at fair value, with unrealized gains and losses reported net-of-tax as a separate component of shareholders' equity. Substantially all of our investments are investment grade government and corporate debt securities that have maturities of less than 3 years, and we have both the ability and intent to hold the investments until maturity. During both 2016 and 2015, we recorded other-than-temporary impairments of approximately $0.2 million. These amounts were included within the realized losses for these periods shown in the table below. Net unrealized loss on short-term investments was $0.3 million at each of December 31, 2016 and 2015. Net unrealized gain on short-term investments was $0.1 million at December 31, 2014. Realized gains and losses for 2016, 2015 and 2014 were as follows (in thousands):

Year	Gains	Losses	Net
2016	$ 1	$(210)	$(209)
2015	$—	$(309)	$(309)
2014	$48	$(681)	$(633)

Short-term investments as of December 31, 2016 and 2015 consisted of the following (in thousands):

	December 31,	
	2016	2015
Commercial paper	$113,490	$200,811
U.S. government agency instruments	224,330	183,950
Corporate bonds and asset backed securities	210,867	38,740
	$548,687	$423,501

At December 31, 2016 and 2015, $404.8 million and $373.7 million, respectively, of our short-term investments had contractual maturities within one year. The remaining portions of our short-term investments had contractual maturities primarily within two to five years.

Concentration of Credit Risk and Fair Value of Financial Instruments

Financial instruments that potentially subject us to concentration of credit risk consist primarily of cash equivalents, short-term investments and accounts receivable. We place our cash equivalents and short-term investments only in highly rated financial instruments and in United States government instruments.

Our accounts receivable are derived principally from patent license and technology solutions agreements. At December 31, 2016 and 2015, four licensees comprised 91% and 97%, respectively, of our accounts receivable balance. We perform ongoing credit evaluations of our licensees, who generally include large, multinational, wireless telecommunications equipment manufacturers. We believe that the book values of our financial instruments approximate their fair values.

Fair Value Measurements

We use various valuation techniques and assumptions when measuring the fair value of our assets and liabilities. We utilize market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. This guidance established a hierarchy that prioritizes fair value measurements based on the types of input used for the various valuation techniques (market approach, income approach and cost approach). The levels of the hierarchy are described below:

Level 1 Inputs — Level 1 includes financial instruments for which quoted market prices for identical instruments are available in active markets.

Level 2 Inputs — Level 2 includes financial instruments for which there are inputs other than quoted prices included within Level 1 that are observable for the instrument such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets with insufficient volume or infrequent transactions (less active markets) or model-driven valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data, including market interest rate curves, referenced credit spreads and pre-payment rates.

Level 3 Inputs — Level 3 includes financial instruments for which fair value is derived from valuation techniques including pricing models and discounted cash flow models in which one or more significant inputs are unobservable, including the company's own assumptions. The pricing models incorporate transaction details such as contractual terms, maturity and, in certain instances, timing and amount of future cash flows, as well as assumptions related to liquidity and credit valuation adjustments of marketplace participants.

Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of financial assets and financial liabilities and their placement within the fair value hierarchy. We use quoted market prices for similar assets to estimate the fair value of our Level 2 investments. Our financial assets are included within short-term investments on our consolidated balance sheets, unless otherwise indicated. Our financial assets that are accounted for at fair value on a recurring basis are presented in the tables below as of December 31, 2016 and December 31, 2015 (in thousands):

	Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market and demand accounts (a)	$404,074	$ —	$—	$404,074
Commercial paper	—	113,490	—	113,490
U.S. government securities	—	224,330	—	224,330
Corporate bonds, asset backed and other securities	—	210,867	—	210,867
	$404,074	$548,687	$—	$952,761

(a) Included within cash and cash equivalents.

	Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market and demand accounts (a)	$333,671	$ —	$—	$333,671
Commercial paper (b)	—	377,347	—	377,347
U.S. government securities	—	183,950	—	183,950
Corporate bonds and asset backed securities	183	38,557	—	38,740
	$333,854	$599,854	$—	$933,708

(a) Included within cash and cash equivalents.

(b) Includes $176.5 million of commercial paper that is included within cash and cash equivalents.

The principal amount, carrying value and related estimated fair value of the Company's long-term debt reported in the Condensed Consolidated Balance Sheets as of December 31, 2016 and December 31, 2015 are as follows (in thousands):

	December 31, 2016			December 31, 2015		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
Total Long-Term Debt	$316,000	$272,021	$428,575	$546,000	$486,769	$533,203

The aggregate fair value of the principal amount of the long-term debt (Level 2 Notes as defined in Note 6 "*Obligations*") was calculated using inputs such as actual trade data, benchmark yields, broker/dealer quotes and other similar data, which were obtained from independent pricing vendors, quoted market prices or other sources.

As discussed in *Note 3, "Significant Agreements,"* we acquired patents associated with a patent license agreement signed during third quarter 2016. We have recorded these patents based on their total estimated fair value of $7.9 million and will amortize them over their estimated useful lives. We estimated the fair value of the patents in this transaction through a combination of a discounted cash flow analysis (the income approach) and an analysis of comparable market transactions (the market approach). For the income approach, the inputs and assumptions used to develop these estimates were based on a market participant perspective and included estimates of projected royalties, discount rates, economic lives and income tax rates, among others. For the market approach, judgment was applied as to which market transactions were most comparable to the transaction.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization of property and equipment are provided using the straight-line method. The estimated useful lives for computer equipment, computer software, engineering and test equipment and furniture and fixtures are generally three to five years. Leasehold improvements are amortized over the lesser of their estimated useful lives or their respective lease terms, which are generally five to ten years. Buildings are being depreciated over twenty-five years. Expenditures for major improvements and betterments are capitalized, while minor repairs and maintenance are charged to expense as incurred. Leases meeting certain capital lease criteria are capitalized and the net present value of the related lease payments is recorded as a liability. Amortization of capital leased assets is recorded using the straight-line method over the lesser of the estimated useful lives or the lease terms.

Upon the retirement or disposition of property, plant and equipment, the related cost and accumulated depreciation or amortization are removed, and a gain or loss is recorded.

Internal-Use Software Costs

We capitalize costs associated with software developed for internal use that are incurred during the software development stage. Such costs are limited to expenses incurred after management authorizes and commits to a computer software project, believes that it is more likely than not that the project will be completed, the software will be used to perform the intended function with an estimated service life of two years or more, and the completion of conceptual formulation, design and testing of possible software project alternatives (the preliminary design stage). Costs incurred after final acceptance testing has been successfully completed are expensed. Capitalized computer software costs are amortized over their estimated useful life of three years.

All computer software costs capitalized to date relate to the purchase, development and implementation of engineering, accounting and other enterprise software.

Other-than-Temporary Impairments

We review our investment portfolio during each reporting period to determine whether there are identified events or circumstances that would indicate there is a decline in the fair value that is considered to be other-than-temporary. For non-public investments, if there are no identified events or circumstances that would have a significant adverse effect on the fair value of the investment, then the fair value is not estimated. If an investment is deemed to have experienced an other-than-temporary decline below its cost basis, we reduce the carrying amount of the investment to its quoted or estimated fair value, as applicable, and establish a new cost basis for the investment. We charge the impairment to the *Other Expense (Net)* line of our Consolidated Statements of Income.

Investments in Other Entities

We may make strategic investments in companies that have developed or are developing technologies that are complementary to our business. We account for our investments using either the cost or equity method of accounting. Under the cost method, we do not adjust our investment balance when the investee reports profit or loss but monitor the investment for an other-than-temporary decline in value. On a quarterly basis, we monitor our investment's financial position and performance to assess whether there are any triggering events or indicators present that would be indicative of an other-than-temporary impairment of our investment. When assessing whether an other-than-temporary decline in value has occurred, we consider such factors as the valuation placed on the investee in subsequent rounds of financing, the performance of the investee relative to its own performance targets and business plan, and the investee's revenue and cost trends, liquidity and cash position, including its cash burn rate, and updated forecasts. Under the equity method of accounting, we initially record our investment in the stock of an investee at cost, and adjust the carrying amount of the investment to recognize our share of the earnings or losses of the investee after the date of acquisition. The amount of the adjustment is included in the determination of net income, and such amount reflects adjustments similar to those made in preparing consolidated statements including adjustments to eliminate intercompany gains and losses, and to amortize, if appropriate, any difference between our cost and underlying equity in net assets of the investee at the date of investment. The investment is also adjusted to reflect our share of changes in the investee's capital. Dividends received from an investee reduce the carrying amount of the investment. When there are a series of operating losses by the investee or when other factors indicate that a decrease in value of the investment has occurred which is other than temporary, we recognize an impairment equal to the difference between the fair value and the carrying amount of our investment. The carrying costs of our investments are included within *Other Non-Current Assets* on our Consolidated Balance Sheets.

During 2016, we made an investment in one entity for $2.0 million, and during 2015, we made investments in two separate entities for an aggregate total of $12.6 million. Due to the fact that we do not have significant influence over any of these entities, we are accounting for these investments using the cost method of accounting. The carrying value of these investments as of December 31, 2016 and 2015 was $14.6 million and $12.6 million, respectively.

Intangible Assets

Patents

We capitalize external costs, such as filing fees and associated attorney fees, incurred to obtain issued patents and patent license rights. We expense costs associated with maintaining and defending patents subsequent to their issuance in the period incurred. We amortize capitalized patent costs for internally generated patents on a straight-line basis over ten years, which represents the estimated useful lives of the patents. The ten-year estimated useful life for internally generated patents is based on our assessment of such factors as: the integrated nature of the portfolios being licensed, the overall makeup of the portfolio over time, and the length of license agreements for such patents. The estimated useful lives of acquired patents and patent rights, however, have been and will continue to be based on a separate analysis related to each acquisition and may differ from the estimated useful lives of internally generated patents. The average estimated useful life of acquired patents thus far has been 9.7 years. We assess the potential impairment to all capitalized net patent costs when events or changes in circumstances indicate that the carrying amount of our patent portfolio may not be recoverable.

At December 31, 2016 and 2015, patents consisted of the following (in thousands, except for useful life data):

	December 31,	
	2016	**2015**
Weighted average estimated useful life (years)	9.9	9.9
Gross patents	$ 593,309	$ 511,503
Accumulated amortization	(282,541)	(233,924)
Patents, net	$ 310,768	$ 277,579

Amortization expense related to capitalized patent costs was $48.6 million, $44.0 million and $38.4 million in 2016, 2015 and 2014, respectively. These amounts are recorded within the *Patent administration and licensing* line of our Consolidated Statements of Income.

The estimated aggregate amortization expense for the next five years related to our patents balance as of December 31, 2016 is as follows (in thousands):

2017	$52,127
2018	46,855
2019	43,993
2020	39,205
2021	34,642

Goodwill

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible and identified intangible assets acquired under a business combination. We review impairment of goodwill annually in the fourth quarter. We first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. If we conclude it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, we need not perform the two-step impairment test.

If based on the qualitative assessment we believe it is more likely than not that the fair value of our reporting units is less than its carrying value, a two-step goodwill impairment test is required to be performed. The first step requires us to compare the fair value of each reporting unit to its carrying value including allocated goodwill. We determine the fair value of our reporting units using an equal weighting of the results derived from an income approach and a market approach. The income approach is estimated through the discounted cash flow method based on assumptions about future conditions such as future revenue growth rates, new product and technology introductions, gross margins, operating expenses, discount rates, future economic and market conditions, and other assumptions. The market approach estimates the fair value of our equity by utilizing the market comparable method which is based on revenue multiples from comparable companies in similar lines of business. If the carrying value of a reporting unit exceeds the reporting unit's fair value, we perform the second step of the goodwill impairment test to determine the amount of impairment loss.

The second step of the goodwill impairment test involves comparing the implied fair value of the reporting unit with the carrying value of the reporting unit. An impairment charge is recognized for the excess of the carrying value of the reporting unit over its implied fair value. Determining the fair value of a reporting unit is subjective in nature and requires the use of significant estimates and assumptions, including revenue growth rates and operating margins, discount rates and future market conditions, among others.

The Company acquired goodwill during 2016 as a result of the acquisition of Hillcrest Labs. Refer to Note 15, "*Business Combinations*," for more information regarding this transaction. Due to the timing of the transaction, no impairment test was necessary during 2016.

The changes to the carrying value of goodwill from January 1, 2016 through December 31, 2016 are reflected below (in thousands):

	Amount
December 31, 2015	$ —
Goodwill acquired through the acquisition of Hillcrest Labs	16,172
December 31, 2016	$16,172(a)

(a) This amount is included in "Other Non-Current Assets" on the Consolidated Balance Sheets.

Other Intangible Assets

We capitalize the cost of technology solutions and platforms we acquire or license from third parties when they have a future benefit and the development of these solutions and platforms is substantially complete at the time they are acquired or licensed.

Intangible assets consist of acquired patents, existing technology, and trade names. Refer to the above Patents section for more information on acquired patents and existing technology. Our intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from 9 to 10 years. We make judgments about the recoverability of purchased finite-lived intangible assets whenever facts and circumstances indicate that the useful life is shorter than originally estimated or that the carrying amount of assets may not be recoverable. If such facts and circumstances exist, we assess recoverability by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets. If the useful life is shorter than originally estimated, we would accelerate the rate of amortization and amortize the remaining carrying value over the new shorter useful life.

Intangible assets excluding patents consisted of the following (in thousands):

		December 31, 2016			December 31, 2015		
	Average Life (Years)	Gross Assets	Accumulated Amortization	Net	Gross Assets	Accumulated Amortization	Net
Trade Names	9	$ 600	$—	$ 600	$—	$—	$—
Customer Relationships	10	1,700	—	1,700	—	—	—
		$2,300	$—	$2,300(a)	$—	$—	$—

(a) These amounts are included in "Other Non-Current Assets" on the Consolidated Balance Sheets.

Due to the timing of the Hillcrest Labs acquisition, no amortization expense was recorded during 2016 related to the intangible assets reflected in the above table. Estimated future amortization expense of these intangible assets is as follows (in thousands):

2017	$ 237
2018	237
2019	237
2020	237
2021	237
Thereafter	1,115
	$2,300

Revenue Recognition

We derive the vast majority of our revenue from patent licensing. The timing and amount of revenue recognized from each licensee depends upon a variety of factors, including the specific terms of each agreement and the nature of the deliverables and obligations. Such agreements are often complex and include multiple elements. These agreements can include, without limitation, elements related to the settlement of past patent infringement liabilities, up-front and non-refundable license fees for the use of patents and/or know-how, patent and/or know-how licensing royalties on covered products sold by licensees, cross-licensing terms between us and other parties, the compensation structure and ownership of intellectual property rights associated with contractual technology development arrangements, advanced payments and fees for service arrangements and settlement of intellectual property enforcement. For agreements entered into or materially modified prior to 2011, due to the

inherent difficulty in establishing reliable, verifiable, and objectively determinable evidence of the fair value of the separate elements of these agreements, the total revenue resulting from such agreements has often been recognized over the performance period. Since January 2011, all new or materially modified agreements have been accounted for under the Financial Accounting Standards Board ("FASB") revenue recognition guidance, "Revenue Arrangements with Multiple Deliverables." This guidance requires consideration to be allocated to each element of an agreement that has standalone value using the relative fair value method. In other circumstances, such as those agreements involving consideration for past and expected future patent royalty obligations, after consideration of the particular facts and circumstances, the appropriate recording of revenue between periods may require the use of judgment. In all cases, revenue is only recognized after all of the following criteria are met: (1) written agreements have been executed; (2) delivery of technology or intellectual property rights has occurred or services have been rendered; (3) fees are fixed or determinable; and (4) collectibility of fees is reasonably assured.

We establish a receivable for payments expected to be received within twelve months from the balance sheet date based on the terms in the license. Our reporting of such payments often results in an increase to both accounts receivable and deferred revenue. Deferred revenue associated with fixed-fee royalty payments is classified on the balance sheet as short-term when it is scheduled to be amortized within twelve months from the balance sheet date. All other deferred revenue is classified as long-term, as amounts to be recognized over the next twelve months are not known.

As discussed in more detail below under "*New Accounting Guidance*," the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance, and will be effective for the Company in 2018. Under the new standard, the Company may be required to recognize up to a substantial majority of the royalties under a fixed-fee license agreement upfront upon entry into the agreement, as opposed to recognizing the royalties on a quarterly basis over the term of the agreement, which has been the historical practice of many licensing companies, including InterDigital. For InterDigital, this could impact the revenue recognition of all of its existing fixed-fee patent license agreements, including certain fixed-fee agreements that cover both our current technologies and future technologies that are added to our portfolio during the term of the license, such as our patent license agreements with Apple and Samsung. In addition, our current practice, which is shared by many licensing companies and discussed in further detail under "Current Royalty Payments" below, of reporting revenues from per-unit royalty-based agreements one quarter in arrears would no longer be accepted, and instead we will be expected to estimate royalty-based revenues each quarter. Upon adoption of the new guidance, we will update our revenue recognition policies accordingly.

Patent License Agreements

Upon signing a patent license agreement, we provide the licensee permission to use our patented inventions in specific applications. We account for patent license agreements in accordance with the guidance for revenue arrangements with multiple deliverables. We have elected to utilize the leased-based model for revenue recognition, with revenue being recognized over the expected period of benefit to the licensee. Under our patent license agreements, we typically receive one or a combination of the following forms of payment as consideration for permitting our licensees to use our patented inventions in their applications and products:

Consideration for Past Patent Royalties: Consideration related to a licensee's product sales from prior periods may result from a negotiated agreement with a licensee that utilized our patented inventions prior to signing a patent license agreement with us or from the resolution of a disagreement or arbitration with a licensee over the specific terms of an existing license agreement. We may also receive consideration for past patent royalties in connection with the settlement of patent litigation where there was no prior patent license agreement. In each of these cases, we record the consideration as revenue when we have obtained a signed agreement, identified a fixed or determinable price and determined that collectibility is reasonably assured.

Fixed-Fee Royalty Payments: These are up-front, non-refundable royalty payments that fulfill the licensee's obligations to us under a patent license agreement for a specified time period or for the term of the agreement for specified products, under certain patents or patent claims, for sales in certain countries, or a combination thereof — in each case for a specified time period (including for the life of the patents licensed under the agreement). We recognize revenues related to Fixed-Fee Royalty Payments on a straight-line basis over the effective term of the license. We utilize the straight-line method because we cannot reliably predict in which periods, within the term of a license, the licensee will benefit from the use of our patented inventions.

Prepayments: These are up-front, non-refundable royalty payments towards a licensee's future obligations to us related to its expected sales of covered products in future periods. Our licensees' obligations to pay royalties typically extend beyond the exhaustion of their Prepayment balance. Once a licensee exhausts its Prepayment balance, we may provide them with the opportunity to make another Prepayment toward future sales or it will be required to make Current Royalty Payments.

Current Royalty Payments: These are royalty payments covering a licensee's obligations to us related to its sales of covered products in the current contractual reporting period.

Licensees that either owe us Current Royalty Payments or have Prepayment balances are obligated to provide us with quarterly royalty reports that summarize their sales of covered products and their related royalty obligations to us. We typically receive these royalty reports subsequent to the period in which our licensees' underlying sales occurred. As a result, it is impractical for us to recognize revenue in the period in which the underlying sales occur, and, in most cases, we recognize revenue in the period in which the royalty report is received and other revenue recognition criteria are met due to the fact that without royalty reports from our licensees, our visibility into our licensees' sales is very limited. When a licensee is required to gross-up their royalty payment to cover applicable foreign withholding tax requirements, the additional consideration is recorded in revenue.

The exhaustion of Prepayments and Current Royalty Payments are often calculated based on related per-unit sales of covered products. From time to time, licensees will not report revenues in the proper period, most often due to legal disputes. When this occurs, the timing and comparability of royalty revenue could be affected. In cases where we receive objective, verifiable evidence that a licensee has discontinued sales of products covered under a patent license agreement with us, we recognize any related deferred revenue balance in the period that we receive such evidence.

Patent Sales

Our business strategy of monetizing our intellectual property includes the sale of select patent assets. As patent sales executed under this strategy represent a component of our ongoing major or central operations and activities, we will record the related proceeds as revenue. We will recognize the revenue when there is persuasive evidence of a sales arrangement, fees are fixed or determinable, delivery has occurred and collectibility is reasonably assured. These requirements are generally fulfilled upon closing of the patent sale transaction.

Technology Solutions

Technology solutions revenue consists primarily of revenue from royalty payments. We recognize revenue from royalty payments using the same methods described above under our policy for recognizing revenue from patent license agreements. Technology solutions revenues also consist of revenues from software licenses, engineering services and product sales. Software license revenues are recognized in accordance with the original and revised guidance for software revenue recognition. When the arrangement with a customer includes significant production, modification, or customization of the software, we recognize the related revenue using the percentage-of-completion method in accordance with the accounting guidance for construction-type and certain production-type contracts. Under this method, revenue and profit are recognized throughout the term of the

contract, based on actual labor costs incurred to date as a percentage of the total estimated labor costs related to the contract. Changes in estimates for revenues, costs and profits are recognized in the period in which they are determinable. When such estimates indicate that costs will exceed future revenues and a loss on the contract exists, a provision for the entire loss is recognized at that time.

We recognize revenues associated with engineering service arrangements that are outside the scope of the accounting guidance for construction-type and certain production-type contracts on a straight-line basis, unless evidence suggests that the revenue is earned in a different pattern, over the contractual term of the arrangement or the expected period during which those specified services will be performed, whichever is longer. In such cases we often recognize revenue using proportional performance and measure the progress of our performance based on the relationship between incurred labor hours and total estimated labor hours or other measures of progress, if available. Our most significant cost has been labor and we believe both labor hours and labor cost provide a measure of the progress of our services. The effect of changes to total estimated contract costs is recognized in the period in which such changes are determined. We recognize revenues associated with product sales in the period in which the sales of the underlying units occur.

Deferred Charges

From time to time, we use sales agents to assist us in our licensing and/or patent sale activities. In such cases, we may pay a commission. The commission rate varies from agreement to agreement. Commissions are normally paid shortly after our receipt of cash payments associated with the patent license or patent sale agreements. We defer recognition of commission expense related to both prepayments and fixed-fee royalty payments and amortize these expenses in proportion to our recognition of the related revenue. In each of 2016, 2015 and 2014, we paid cash commissions of less than $0.3 million.

Incremental direct costs incurred related to an acquisition or origination of a customer contract in a transaction that results in the deferral of revenue may be either expensed as incurred or capitalized. The only eligible costs for deferral are those costs directly related to a particular revenue arrangement. We capitalize those direct costs incurred for the acquisition of a contract through the date of signing, and amortize them on a straight-line basis over the life of the patent license agreement. There were no direct contract origination costs incurred during 2016, 2015 or 2014.

Incremental direct costs incurred related to a debt financing transaction may be capitalized. In connection with our offering of the 2020 Notes, discussed in detail within Note 6, *Obligations*, we incurred directly related costs. The initial purchasers' transaction fees and related offering expenses were allocated to the liability and equity components of the debt in proportion to the allocation of proceeds and accounted for as debt issuance costs. The debt issuance costs allocated to the liability component of the debt were capitalized as deferred financing costs and recorded as a direct reduction of the debt. These costs are being amortized to interest expense over the term of the debt using the effective interest method. The costs allocated to the equity component of the debt were recorded as a reduction of the equity component of the debt. There were no debt issuance costs incurred in 2016 or 2014.

Deferred charges are recorded in our Consolidated Balance Sheets within the following captions (in thousands):

	December 31,	
	2016	**2015**
Prepaid and other current assets		
Deferred commission expense	$ 187	$ 245
Other non-current assets		
Deferred commission expense	181	196
Long-term debt (including current portion of long-term debt)		
Deferred financing costs	4,401	6,117

Commission expense was approximately $0.4 million, $0.6 million and $0.4 million in 2016, 2015 and 2014, respectively. Commission expense is included within the *Patent administration and licensing* line of our Consolidated Statements of Income. Deferred contract origination expense recognized in 2016, 2015 and 2014 was less than $0.1 million in each period and is included within the *Patent administration and licensing* line of our Consolidated Statements of Income. Deferred financing expense was $1.7 million, $2.5 million and $1.3 million in 2016, 2015 and 2014, respectively. Deferred financing expense is included within the *Other Expense (Net)* line of our Consolidated Statements of Income.

Research and Development

Research and development expenditures are expensed in the period incurred, except certain software development costs that are capitalized between the point in time that technological feasibility of the software is established and when the product is available for general release to customers. We did not have any capitalized software costs related to research and development in any period presented. Research, development and other related costs were approximately $68.7 million, $72.7 million and $75.3 million in 2016, 2015 and 2014, respectively.

Compensation Programs

Our compensation programs include, but are not limited to, short-term incentive awards tied to performance goals and cash awards to inventors for filed patent applications and patent issuances, as well as stock option awards, time-based restricted stock unit ("RSU") awards and performance-based awards under our long-term compensation program ("LTCP"). Our LTCP typically includes annual grants with a three-year vesting period; as a result, in any one year, we are typically accounting for three active LTCP cycles.

The aggregate amount of performance compensation expense we record in a period, under both short-term and long-term performance compensation programs, requires the input of subjective assumptions and is a function of our estimated progress toward performance compensation goals at the beginning of the period, and our estimated progress or final assessment of progress toward performance compensation goals at the end of the period. Our estimated progress toward goals under performance equity grants is based on a meeting a minimum confidence level in accordance with ASC 718. Achievement rates can vary by performance cycle and from period to period, resulting in variability in our compensation expense.

We account for compensation costs associated with share-based transactions based on the fair value of the instruments issued, net of any estimated award forfeitures. This requires us to make subjective assumptions around the value of the equity at the time of issuance and the expected forfeiture rates, which in both cases are generally based on historical experience. At December 31, 2016, 2015 and 2014, we estimated the forfeiture rates for outstanding RSUs to be between approximately 0% and 25% over their lives of one to three years, depending upon the type of grant and the specific terms of the award issued. The estimated value of stock options includes assumptions around expected life, stock volatility and dividends. The expected life of our stock option awards are based on the simplified method as prescribed by Staff Accounting Bulletin Topic 14. In all periods, our policy has been to set the value of RSUs and restricted stock awards equal to the value of our underlying common stock on the date of measurement. For grants with graded vesting, we amortize the associated unrecognized compensation cost using an accelerated method. For grants that cliff vest, we amortize the associated unrecognized compensation cost on a straight-line basis over their vesting term. In 2006, we adopted the short-cut method to establish the historical additional paid-in-capital pool ("APIC Pool") related to the tax effects of employee share-based compensation. Any positive balance would be available to absorb tax shortfalls (which occur when the tax deductions resulting from share-based compensation are less than the related book expense) recognized subsequent to the adoption of the stock-based compensation guidance.

Impairment of Long-Lived Assets

We evaluate long-lived assets for impairment when factors indicate that the carrying value of an asset may not be recoverable. When factors indicate that such assets should be evaluated for possible impairment, we review whether we will be able to realize our long-lived assets by analyzing the projected undiscounted cash flows in measuring whether the asset is recoverable. We recorded approximately $0.2 million of long-lived asset impairments in 2015. We did not have any long-lived asset impairments in 2016 or 2014.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statement of Income in the period in which the change was enacted. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if management has determined that it is more likely than not that such assets will not be realized.

In addition, the calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws. We are subject to examinations by the Internal Revenue Service ("IRS") and other taxing jurisdictions on various tax matters, including challenges to various positions we assert in our filings. In the event that the IRS or another taxing jurisdiction levies an assessment in the future, it is possible the assessment could have a material adverse effect on our consolidated financial condition or results of operations.

The financial statement recognition of the benefit for a tax position is dependent upon the benefit being more likely than not to be sustainable upon audit by the applicable tax authority. If this threshold is met, the tax benefit is then measured and recognized at the largest amount that is greater than 50 percent likely of being realized upon ultimate settlement. In the event that the IRS or another taxing jurisdiction levies an assessment in the future, it is possible the assessment could have a material adverse effect on our consolidated financial condition or results of operations.

Between 2006 and 2016, we paid approximately $375.0 million in foreign taxes for which we have claimed foreign tax credits against our U.S. tax obligations. Of this amount, $236.1 million relates to taxes paid to foreign governments that have tax treaties with the U.S. It is possible that as a result of tax treaty procedures, the U.S. government may reach an agreement with the related foreign governments that will result in a partial refund of foreign taxes paid with a related reduction in our foreign tax credits. Due to both foreign currency fluctuations and differences in the interest rate charged by the U.S. government compared to the interest rates, if any, used by the foreign governments, any such agreement could result in net interest expense and/or foreign currency gain or loss.

During both 2016 and 2015, we estimated research and development credits that resulted in an approximately $2.1 million tax benefit, net of any unrecognized tax benefits, for each respective year. During 2016, we completed a study for certain domestic production activities for the periods from 2010 to 2015 and amended our United States federal income tax returns for the periods from 2011 through 2014 to claim deductions related to domestic production activities for those periods. After all periods were amended and the 2015 federal income tax return was filed, we recognized a net benefit after consideration of any unrecognized tax benefits from the deductions in the amount of $23.6 million. Additionally, in 2016, we recognized a benefit after consideration of any unrecognized tax benefits of $8.3 million for the domestic production activities deduction for 2016.

During 2014, we completed research and development credit studies for the periods from 2010 to 2013 and amended our United States federal income tax returns for the periods from 2010 through 2012 to claim the research and development credit for those periods. After all periods were amended and the 2013 federal income tax return was filed, we recognized a net benefit after consideration of any unrecognized tax benefits from the tax credits in the amount of $5.7 million. Additionally, in 2014, we recognized a benefit after consideration of any unrecognized tax benefits of $0.9 million for the estimated research and development credit for 2014. In addition, in 2014, we recorded $0.7 million of unrecognized tax benefits related to other matters.

Net Income Per Common Share

Basic Earnings Per Share ("EPS") is calculated by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if options or other securities with features that could result in the issuance of common stock were exercised or converted to common stock. The following table reconciles the numerator and the denominator of the basic and diluted net income per share computation (in thousands, except for per share data):

	For the Year Ended December 31,					
	2016		2015		2014	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Numerator:						
Net income applicable to common shareholders	$309,001	$309,001	$119,225	$119,225	$104,342	$104,342
Denominator:						
Weighted-average shares outstanding: Basic	34,526	34,526	36,048	36,048	39,420	39,420
Dilutive effect of stock options, RSUs and convertible securities		663		415		459
Weighted-average shares outstanding: Diluted		35,189		36,463		39,879
Earnings Per Share:						
Net income: Basic	$ 8.95	8.95	$ 3.31	3.31	$ 2.65	2.65
Dilutive effect of stock options, RSUs and convertible securities		(0.17)		(0.04)		(0.03)
Net income: Diluted		$ 8.78		$ 3.27		$ 2.62

Certain shares of common stock issuable upon the exercise or conversion of certain securities have been excluded from our computation of earnings per share because the strike price or conversion rate, as applicable, of such securities was less than the average market price of our common stock for the years ended December 31, 2016, 2015 and 2014, as applicable, and, as a result, the effect of such exercise or conversion would have been anti-dilutive. Set forth below are the securities and the weighted average number of shares of common stock underlying such securities that were excluded from our computation of earnings per share for the periods presented (in thousands):

	For the Year Ended December 31,		
	2016	2015	2014
Restricted stock units and stock options	110	211	75
Convertible securities	4,366	7,656	4,130
Warrants	6,534	7,656	4,130
Total	11,010	15,523	8,335

New Accounting Guidance

Accounting Standards Update: Leases

In February 2016, the FASB issued new guidance related to leases that outlines a comprehensive lease accounting model and supersedes the current lease guidance. The new guidance requires lessees to recognize lease liabilities and corresponding right-of-use assets for all leases with lease terms of greater than 12 months. It also changes the definition of a lease and expands the disclosure requirements of lease arrangements. The new guidance must be adopted using the modified retrospective approach and will be effective for the Company starting in the first quarter of 2020. Early adoption is permitted. We are in the process of determining the effect the adoption will have on the Company's consolidated financial statements.

Accounting Standards Update: Stock Compensation

In March 2016, the FASB issued ASU No. 2016-09, "Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The guidance is effective for the interim and annual periods beginning on or after December 15, 2016. Certain elements of our accounting for compensation costs associated with share-based transactions will change upon adoption of ASC 2016-09. We will no longer account for these costs net of estimated award forfeitures. Instead, we will adjust expense recognized to date in the event of canceled awards as they occur. Additionally, tax windfalls and shortfalls related to the tax effects of employee share-based compensation will no longer reside within additional paid-in-capital. Rather, these windfalls and shortfalls will be included in our tax provision. We will also adjust our disclosures included within our Consolidated Statements of Cash Flows. Tax windfalls and shortfalls related to employee share-based compensation awards will be included within operating activities and cash paid to tax authorities for shares withheld will be included within financing activities. Although these changes will have no impact on the amount of share-based compensation expense we ultimately recognize, the inclusion of windfalls and shortfalls in the tax provision could increase our earnings volatility between periods.

Accounting Standards Update: Consolidation

In February 2015, the FASB issued ASU No. 2015-2, "Consolidation (Topic 820): Amendments to the Consolidation Analysis." ASU 2015-2 provides a revised consolidation model for all reporting entities to use in evaluating whether they should consolidate certain legal entities. All legal entities will be subject to reevaluation under this revised consolidation model. The revised consolidation model, among other things, (i) modifies the evaluation of whether limited partnerships and similar legal entities are voting interest entities, or VIEs, (ii) eliminates the presumption that a general partner should consolidate a limited partnership and (iii) modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships. ASU 2015-2 is effective for fiscal years, and interim reporting periods within those fiscal years, beginning after December 15, 2015. The amended standard has not had any effect on the Company's financial position or results of operations.

Accounting Standards Update: Revenue Recognition

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2017 (early adoption is permitted as of annual reporting periods beginning after December 15, 2016, including

interim reporting periods within those annual periods). The guidance permits the use of either a retrospective or cumulative effect transition method.

The Company does not intend to adopt the new guidance early and is in the process of determining the adoption method as well as the effects the adoption will have on its consolidated financial statements. Although we have not finalized our evaluation of the impact this accounting guidance will have on our consolidated financial statements, we expect that revenue from both our fixed-fee and per-unit licensees will be impacted. Under the new standard, the Company may be required to recognize up to a substantial majority of the royalties under a fixed-fee license agreement upfront upon entry into the agreement, as opposed to recognizing the royalties on a quarterly basis over the term of the agreement, which has been our historical practice. This could impact the revenue recognition of all of our fixed-fee patent license agreements, including certain fixed-fee agreements that cover both our current technologies and future technologies that are added to our portfolio during the term of the license, such as our patent license agreements with Apple and Samsung. In addition, under our existing policy, we recognize revenue from our per-unit royalty agreements one quarter in arrears from the period in which the underlying sales occurred. Upon adoption of the new accounting guidance, we will be required to record per-unit royalty revenue during the period in which the sales occurred based on estimates of our licensees' sales, which will result in the recognition of an adjustment to true up revenue to the actual amounts reported by our licensees.

3. SIGNIFICANT AGREEMENTS

During third quarter 2016, we entered into a multi-year, worldwide, non-exclusive, royalty-bearing patent license agreement with Huawei. The agreement covers sales of Huawei and its affiliates' 3G and 4G terminal unit products and sets forth cash payments to InterDigital and a process for the transfer of patents from Huawei to InterDigital. In addition, the companies have agreed to a framework for discussions regarding joint research and development efforts. As a result of the agreement, the companies settled all proceedings related to their arbitration initiated in 2014. Our agreement with Huawei is a multiple-element arrangement for accounting purposes. We recognized $154.8 million of revenue under this patent license agreement during 2016, including $121.5 million of past sales. We will recognize future revenue under the agreement on a straight-line basis over its term. A portion of the consideration for the agreement was in the form of patents from Huawei. We have received half of the patents as of December 31, 2016, and we will receive the remaining patents by June 30, 2017. Of the $154.8 million of revenue recognized under the agreement to date, 95% related to cash receipts and 5% related to the patents transferred to date. We have deferred recognition of revenue related to the patents yet to be transferred, as their value will not be determinable until the completion of the transfer process. At the completion of the transfer process, we expect to recognize additional past sales and current patent royalties associated with these patents. Refer to Note 2, "*Summary of Significant Accounting Policies*," for additional information related to the estimates and methods used to determine the fair value of the patents acquired.

During fourth quarter 2016, we entered into a multi-year, royalty-bearing, worldwide and non-exclusive license agreement with Apple. The agreement sets forth terms covering the sale by Apple of its products and services, including, but not limited to, its 3G, 4G and future generation cellular and wireless-enabled products. The agreement gives Apple the right to terminate certain rights and obligations under the license for the period after September 30, 2021, but has the potential to provide a license to Apple for a total of up to six years. Our agreement with Apple is a multiple-element arrangement for accounting purposes. We recognized $169.3 million of revenue under this patent license agreement during 2016, including $141.4 million of past sales. We will recognize future revenue under the agreement on a straight-line basis over its term.

Consistent with the revenue recognition policy disclosed in Note 2, "*Summary of Significant Accounting Policies*," we identified each element of each arrangement, estimated its relative value for purposes of allocating the arrangement consideration and determined when each of those elements should be recognized. Using the accounting guidance applicable to multiple-element revenue arrangements, we allocated the consideration to each element for accounting purposes using our best estimate of the term and value of each element. The

development of a number of these inputs and assumptions in the models requires a significant amount of management judgment and is based upon a number of factors, including the assumed royalty rates, sales volumes, discount rate and other relevant factors. Changes in any of a number of these assumptions could have had a substantial impact on the relative fair value assigned to each element for accounting purposes. These inputs and assumptions represent management's best estimates at the time of the transactions.

4. GEOGRAPHIC / CUSTOMER CONCENTRATION

We have one reportable segment. During 2016, 2015 and 2014, the majority of our revenue was derived from a limited number of licensees based outside of the United States, primarily in Asia. Substantially all of these revenues were paid in U.S. dollars and were not subject to any substantial foreign exchange transaction risk. The table below lists the countries of the headquarters of our licensees and customers and the total revenue derived from each country or region for the periods indicated (in thousands):

	For the Year Ended December 31,		
	2016	2015	2014
United States	$199,928	$ 65,703	$ 53,163
Taiwan (a)	185,645	218,584	115,955
China	154,767	2,768	800
South Korea	69,000	69,000	144,398
Japan	27,685	53,775	52,194
Canada	10,719	13,151	15,422
Sweden	6,934	6,934	24,530
Germany	6,463	6,712	5,293
Other Europe	4,713	4,807	4,064
Other Asia	—	1	2
Total	$665,854	$441,435	$415,821

(a) We are the subject of an investigation by the Taiwan Fair Trade Commission. See Note 8, "*Litigation and Legal Proceedings*," in these Notes to Consolidated Financial Statements.

During 2016, 2015 and 2014, the following licensees or customers accounted for 10% or more of total revenues:

	2016	2015	2014
Apple (a)	25%	—%	—%
Huawei (b)	23%	—%	—%
Pegatron	20%	31%	18%
Samsung (c)	10%	16%	33%
Sony (d)	< 10%	14%	< 10%

(a) 2016 revenues include $141.4 million of past patent royalties.

(b) 2016 revenues include $121.5 million of past patent royalties.

(c) 2014 revenues include $86.3 million of past patent royalties.

(d) 2015 revenues include $21.9 million of past patent royalties.

At December 31, 2016, 2015 and 2014, we held $287.2 million, $289.7 million and $278.1 million, respectively, of our property and equipment and patents in the United States net of accumulated depreciation and amortization, or nearly 100% of our property and equipment and 100% of our patents. At each of December 31, 2016, 2015 and 2014, we held less than $0.3 million of property and equipment, net of accumulated depreciation, collectively, in Canada, the United Kingdom and South Korea.

5. PROPERTY AND EQUIPMENT

	December 31, 2016	December 31, 2015
Computer equipment and software	$ 18,480	$ 30,066
Engineering and test equipment	3,767	12,321
Building and improvements	3,576	11,356
Leasehold improvements	9,692	7,544
Furniture and fixtures	1,247	1,513
Land	—	695
Property and equipment, gross	36,762	63,495
Less: accumulated depreciation	(24,136)	(51,347)
Property and equipment, net	$ 12,626	$ 12,148

Depreciation expense was $4.1 million, $3.8 million and $3.9 million in 2016, 2015 and 2014, respectively. Depreciation expense included depreciation of computer software costs of $1.0 million, $1.4 million and $1.4 million in 2016, 2015 and 2014, respectively. Accumulated depreciation related to computer software costs was $8.4 million and $15.6 million at December 31, 2016 and 2015, respectively. The net book value of our computer software was $1.0 million and $1.2 million at December 31, 2016 and 2015, respectively.

During second quarter 2015, we sold our facility in King of Prussia, Pennsylvania, to a third party and entered into a limited leaseback arrangement for a period not to exceed one year, for net consideration of $4.5 million. The $3.4 million gain related to the sale was recorded within Other Expense (Net) in our Consolidated Statements of Operations, and the assets sold were removed from Property and Equipment, at the completion of the lease term in second quarter 2016.

6. OBLIGATIONS

	December 31, 2016	December 31, 2015
2.50% Senior Convertible Notes due 2016	$ —	$230,000
1.50% Senior Convertible Notes due 2020	316,000	316,000
Less:		
Unamortized interest discount	(39,578)	(53,114)
Deferred financing costs	(4,401)	(6,117)
Total debt obligations	272,021	486,769
Less: Current portion of long-term debt	—	227,174
Long-term debt obligations	$272,021	$259,595

There were no capital leases at December 31, 2016 or December 31, 2015.

Maturities of principal of the long-term debt obligations of the Company as of December 31, 2016 are as follows (in thousands):

2017	$ —
2018	—
2019	—
2020	316,000
2021	—
Thereafter	—
	$316,000

2016 Senior Convertible Notes, and related Note Hedge and Warrant Transactions

In April 2011, we issued $230.0 million in aggregate principal amount of 2.50% Senior Convertible Notes due 2016 (the "2016 Notes"), which matured and were repaid in full on March 15, 2016.

In connection with the offering of the 2016 Notes, on March 29 and March 30, 2011, we entered into convertible note hedge transactions that covered, subject to customary anti-dilution adjustments, approximately 3.5 million and approximately 0.5 million shares of our common stock, respectively, at an initial strike price that corresponded to the initial conversion price of the 2016 Notes and were exercisable upon conversion of the 2016 Notes. In addition, on the same dates, we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 3.5 million shares and approximately 0.5 million shares, respectively, of common stock. The warrants had a final strike price of $62.95 per share, as adjusted in August 2016. The warrants became exercisable and expired in daily tranches from June 15, 2016 through August 10, 2016. The market price of our common stock did not exceed the strike price of the warrants on any warrant expiration date in second quarter 2016; during third quarter 2016, we issued 23,667 shares of common stock pursuant to these warrants.

Accounting Treatment of the 2016 Notes and related Convertible Note Hedge and Warrant Transactions

The offering of the 2016 Notes on March 29, 2011 was for $200.0 million and included an overallotment option that allowed the initial purchaser to purchase up to an additional $30.0 million aggregate principal amount of 2016 Notes. The initial purchaser exercised its overallotment option on March 30, 2011, bringing the total amount of 2016 Notes issued on April 4, 2011 to $230.0 million.

In connection with the offering of the 2016 Notes, as discussed above, the Company entered into convertible note hedge transactions with respect to its common stock. The $42.7 million cost of the convertible note hedge transactions was partially offset by the proceeds from the sale of the warrants described above, resulting in a net cost of $10.9 million.

Existing accounting guidance provides that the March 29, 2011 convertible note hedge and warrant contracts be treated as derivative instruments for the period during which the initial purchaser's overallotment option was outstanding. Once the overallotment option was exercised on March 30, 2011, the March 29, 2011 convertible note hedge and warrant contracts were reclassified to equity, as the settlement terms of the Company's note hedge and warrant contracts both provide for net share settlement. There was no material net change in the value of these convertible note hedges and warrants during the one day they were classified as derivatives and the equity components of these instruments will not be adjusted for subsequent changes in fair value.

Under current accounting guidance, the Company bifurcated the proceeds from the offering of the 2016 Notes between the liability and equity components of the debt. On the date of issuance, the liability and equity components were calculated to be approximately $187.0 million and $43.0 million, respectively. The initial $187.0 million liability component was determined based on the fair value of similar debt instruments excluding the conversion feature. The initial $43.0 million ($28.0 million net of tax) equity component represents the difference between the fair value of the initial $187.0 million in debt and the $230.0 million of gross proceeds. The related initial debt discount of $43.0 million was being amortized using the effective interest method over the life of the 2016 Notes. An effective interest rate of 7% was used to calculate the debt discount on the 2016 Notes.

In connection with the above-noted transactions, the Company incurred $8.0 million of directly related costs. The initial purchaser's transaction fees and related offering expenses were allocated to the liability and equity components of the debt in proportion to the allocation of proceeds and accounted for as debt issuance costs. We allocated $6.5 million of debt issuance costs to the liability component of the debt, which were capitalized as deferred financing costs. These costs were amortized to interest expense over the term of the debt

using the effective interest method. The remaining $1.5 million of costs allocated to the equity component of the debt were recorded as a reduction of the equity component of the debt.

2020 Senior Convertible Notes, and related Note Hedge and Warrant Transactions

On March 11, 2015, we issued $316.0 million in aggregate principal amount of 1.50% Senior Convertible Notes due 2020 (the "2020 Notes"). The 2020 Notes bear interest at a rate of 1.50% per year, payable in cash on March 1 and September 1 of each year, commencing September 1, 2015, and mature on March 1, 2020, unless earlier converted or repurchased.

The 2020 Notes will be convertible into cash, shares of our common stock or a combination thereof, at our election, at an initial conversion rate of 13.8172 shares of common stock per $1,000 principal amount of 2020 Notes (which is equivalent to an initial conversion price of approximately $72.37 per share). It is our current intent and policy to settle all conversions through combination settlement of cash and shares of common stock, with a specified dollar amount of $1,000 per $1,000 principal amount of the 2020 Notes and any remaining amounts in shares.

Prior to 5:00 p.m., New York City time, on the business day immediately preceding December 1, 2019, the 2020 Notes will be convertible only under certain circumstances as set forth in the indenture to the 2020 Notes, including on any date during any calendar quarter (and only during such calendar quarter) if the closing sale price of our common stock was more than 130% of the applicable conversion price (approximately $94.08 based on the current conversion price) on each applicable trading day for at least 20 trading days in the period of the 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter.

Commencing on December 1, 2019, the 2020 Notes will be convertible in multiples of $1,000 principal amount, at any time prior to 5:00 p.m., New York City time, on the second scheduled trading day immediately preceding the maturity date of the 2020 Notes.

The Company may not redeem the 2020 Notes prior to their maturity date.

On March 5 and March 9, 2015, in connection with the offering of the 2020 Notes, we entered into convertible note hedge transactions that cover approximately 3.8 million and approximately 0.6 million shares of our common stock, respectively, at a strike price that corresponds initially to the initial conversion price of the 2020 Notes and are exercisable upon conversion of the 2020 Notes.

The cost of the March 5 and March 9, 2015 convertible note hedge transactions was approximately $51.7 million and approximately $7.7 million, respectively.

On March 5 and March 9, 2015, we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 3.8 million and approximately 0.6 million, respectively, of common stock at an initial strike price of approximately $88.46 per share. The warrants become exercisable and expire in daily tranches over a three and a half month period starting in June 2020. As consideration for the warrants issued on March 5 and March 9, 2015, we received approximately $37.3 million and approximately $5.6 million, respectively.

The Company also repurchased 0.8 million shares of our common stock at $53.61 per share, the closing price of the stock on March 5, 2015, from institutional investors through one of the initial purchasers and its affiliate, as our agent, concurrently with the pricing of the offering of the 2020 Notes.

Accounting Treatment of the 2020 Notes and related Convertible Note Hedge and Warrant Transactions

The offering of the 2020 Notes on March 5, 2015 was for $275.0 million and included an overallotment option that allowed the initial purchasers to purchase up to an additional $41.0 million aggregate principal

amount of 2020 Notes. The initial purchasers exercised their overallotment option on March 9, 2015, bringing the total amount of 2020 Notes issued on March 11, 2015 to $316.0 million.

In connection with the offering of the 2020 Notes, as discussed above, InterDigital entered into convertible note hedge transactions with respect to its common stock. The $59.4 million cost of the convertible note hedge transactions was partially offset by the proceeds from the sale of the warrants described above, resulting in a net cost of $16.5 million. Both the convertible note hedge and warrants were classified as equity.

The Company bifurcated the proceeds from the offering of the 2020 Notes between liability and equity components. On the date of issuance, the liability and equity components were calculated to be approximately $256.7 million and $59.3 million, respectively. The initial $256.7 million liability component was determined based on the fair value of similar debt instruments excluding the conversion feature. The initial $59.3 million ($38.6 million net of tax) equity component represents the difference between the fair value of the initial $256.7 million in debt and the $316.0 million of gross proceeds. The related initial debt discount of $59.3 million is being amortized using the effective interest method over the life of the 2020 Notes. An effective interest rate of 5.89% was used to calculate the debt discount on the 2020 Notes.

In connection with the above-noted transactions, the Company incurred $9.3 million of directly related costs. The initial purchasers' transaction fees and related offering expenses were allocated to the liability and equity components in proportion to the allocation of proceeds and accounted for as debt and equity issuance costs, respectively. We allocated $7.0 million of debt issuance costs to the liability component, which were capitalized as deferred financing costs. These costs are being amortized to interest expense over the term of the debt using the effective interest method. The remaining $2.4 million of costs allocated to the equity component were recorded as a reduction of the equity component.

The following table presents the amount of interest cost recognized for the years ended December 31, 2016, 2015 and 2014 related to the contractual interest coupon, accretion of the debt discount and the amortization of financing costs (in thousands).

	For the Year Ended December 31,		
	2016	2015	2014
Contractual coupon interest	$ 6,178	$ 9,568	$ 5,750
Accretion of debt discount	13,536	18,384	9,022
Amortization of financing costs	1,716	2,485	1,303
Total	$21,430	$30,437	$16,075

7. COMMITMENTS

Leases

We have entered into various operating lease agreements. Total rent expense, primarily for office space, was $4.2 million, $3.3 million and $3.2 million in 2016, 2015 and 2014, respectively. Minimum future rental payments for operating leases as of December 31, 2016 are as follows (in thousands):

2017	$4,389
2018	3,309
2019	3,164
2020	2,253
2021	1,972
Thereafter	5,429

8. LITIGATION AND LEGAL PROCEEDINGS

ARBITRATIONS AND COURT PROCEEDINGS (OTHER THAN DE DISTRICT COURT ACTIONS RELATED TO USITC PROCEEDINGS)

Huawei China Proceedings

On February 21, 2012, InterDigital was served with two complaints filed by Huawei Technologies Co., Ltd. in the Shenzhen Intermediate People's Court in China on December 5, 2011. The first complaint named as defendants InterDigital, Inc. and its wholly owned subsidiaries InterDigital Technology Corporation and InterDigital Communications, LLC (now InterDigital Communications, Inc.), and alleged that InterDigital had abused its dominant market position in the market for the licensing of essential patents owned by InterDigital by engaging in allegedly unlawful practices, including differentiated pricing, tying and refusal to deal. The second complaint named as defendants the Company's wholly owned subsidiaries InterDigital Technology Corporation, InterDigital Communications, LLC (now InterDigital Communications, Inc.), InterDigital Patent Holdings, Inc. and IPR Licensing, Inc. and alleged that InterDigital had failed to negotiate on FRAND terms with Huawei. Huawei asked the court to determine the FRAND rate for licensing essential Chinese patents to Huawei and also sought compensation for its costs associated with this matter.

On February 4, 2013, the Shenzhen Intermediate People's Court issued rulings in the two proceedings. With respect to the first complaint, the court decided that InterDigital had violated the Chinese Anti-Monopoly Law by (i) making proposals for royalties from Huawei that the court believed were excessive, (ii) tying the licensing of essential patents to the licensing of non-essential patents, (iii) requesting as part of its licensing proposals that Huawei provide a grant-back of certain patent rights to InterDigital and (iv) commencing a USITC action against Huawei while still in discussions with Huawei for a license. Based on these findings, the court ordered InterDigital to cease the alleged excessive pricing and alleged improper bundling of InterDigital's Chinese essential and non-essential patents, and to pay Huawei 20.0 million RMB (approximately $3.2 million) in damages related to attorneys' fees and other charges, without disclosing a factual basis for its determination of damages. The court dismissed Huawei's remaining allegations, including Huawei's claim that InterDigital improperly sought a worldwide license and improperly sought to bundle the licensing of essential patents on multiple generations of technologies. With respect to the second complaint, the court determined that, despite the fact that the FRAND requirement originates from ETSI's Intellectual Property Rights policy, which refers to French law, InterDigital's license offers to Huawei should be evaluated under Chinese law. Under Chinese law, the court concluded that the offers did not comply with FRAND. The court further ruled that the royalties to be paid by Huawei for InterDigital's 2G, 3G and 4G essential Chinese patents under Chinese law should not exceed 0.019% of the actual sales price of each Huawei product.

On March 11, 2013, InterDigital filed notices of appeal with respect to the judgments in both proceedings, seeking reversal of the court's February 4, 2013 rulings. On October 16, 2013, the Guangdong Province High Court issued a ruling affirming the ruling of the Shenzhen Intermediate People's Court in the second proceeding, and on October 21, 2013, issued a ruling affirming the ruling of the Shenzhen Intermediate People's Court in the first proceeding.

InterDigital believes that the decisions are seriously flawed both legally and factually. For instance, in determining a purported FRAND rate, the Chinese courts applied an incorrect economic analysis by evaluating InterDigital's lump-sum 2007 patent license agreement with Apple (the "2007 Apple PLA") in hindsight to posit a running royalty rate. Indeed, the ALJ in USITC Inv. No. 337-TA-800 rejected that type of improper analysis. Moreover, the Chinese courts had an incomplete record and applied incorrect facts, including with respect to the now-expired and superseded 2007 Apple PLA, which had been found in an arbitration between InterDigital and Apple to be limited in scope.

On April 14, 2014, InterDigital filed a petition for retrial of the second proceeding with the Chinese Supreme People's Court ("SPC"), seeking dismissal of the judgment or at least a higher, market-based royalty

rate for a license to InterDigital's Chinese standards-essential patents ("SEPs"). The petition for retrial argues, for example, that (1) the lower court improperly determined a Chinese FRAND running royalty rate by using as a benchmark the 2007 Apple lump sum fixed payment license agreement, and looking in hindsight at the unexpectedly successful sales of Apple iPhones to construct an artificial running royalty rate that neither InterDigital nor Apple could have intended and that would have varied significantly depending on the relative success or failure in hindsight of Apple iPhone sales; (2) the 2007 Apple PLA was also an inappropriate benchmark because its scope of product coverage was significantly limited as compared to the license that the court was considering for Huawei, particularly when there are other more comparable license agreements; and (3) if the appropriate benchmarks had been used, and the court had considered the range of royalties offered by other similarly situated SEP holders in the wireless telecommunications industry, the court would have determined a FRAND royalty that was substantially higher than 0.019%, and would have found, consistent with findings of the ALJ's initial determination in the USITC 337-TA-800 proceeding, that there was no proof that InterDigital's offers to Huawei violated its FRAND commitments.

The SPC held a hearing on October 31, 2014, regarding whether to grant a retrial and requested that both parties provide additional information regarding the facts and legal theories underlying the case. The SPC convened a second hearing on April 1, 2015 regarding whether to grant a retrial. If the retrial is granted, the SPC will likely schedule one or more additional hearings before it issues a decision on the merits of the case. The SPC retrial proceeding was excluded from the dismissal provisions of the August 2016 patent license agreement between Huawei and InterDigital, and a decision in this proceeding is still pending.

ZTE China Proceedings

On July 10 and 11, 2014, InterDigital was served with two complaints filed by ZTE Corporation in the Shenzhen Intermediate People's Court in China on April 3, 2014. The first complaint names as defendants the Company's wholly owned subsidiaries InterDigital Technology Corporation, InterDigital Communications, Inc., InterDigital Patent Holdings, Inc. and IPR Licensing, Inc. This complaint alleges that InterDigital has failed to comply with its FRAND obligations for the licensing of its Chinese standards-essential patents. ZTE is asking the court to determine the FRAND rate for licensing InterDigital's standards-essential Chinese patents to ZTE and also seeks compensation for its litigation costs associated with this matter. The second complaint names as defendants InterDigital, Inc. and its wholly owned subsidiaries InterDigital Technology Corporation and InterDigital Communications, Inc. This complaint alleges that InterDigital has a dominant market position in China and the United States in the market for the licensing of essential patents owned by InterDigital, and abused its dominant market position in violation of the Chinese Anti-Monopoly Law by engaging in allegedly unlawful practices, including excessively high pricing, tying, discriminatory treatment, and imposing unreasonable trading conditions. ZTE seeks relief in the amount of 20.0 million RMB (approximately $2.9 million based on the exchange rate as of December 31, 2016), an order requiring InterDigital to cease the allegedly unlawful conduct and compensation for its litigation costs associated with this matter.

On August 7, 2014, InterDigital filed petitions challenging the jurisdiction of the Shenzhen Intermediate People's Court to hear the actions. On August 28, 2014, the court denied InterDigital's jurisdictional challenge with respect to the anti-monopoly law case. InterDigital filed an appeal of this decision on September 26, 2014. On September 28, 2014, the court denied InterDigital's jurisdictional challenge with respect to the FRAND case, and InterDigital filed an appeal of that decision on October 27, 2014. On December 18, 2014, the Guangdong High Court issued decisions on both appeals upholding the Shenzhen Intermediate Court's decisions that it had jurisdiction to hear these cases. On February 10, 2015, InterDigital filed a petition for retrial with the Supreme People's Court regarding its jurisdictional challenges to both cases.

The Shenzhen Court held hearings on the anti-monopoly law case on May 11, 13, 15 and 18, 2015. At the May hearings, ZTE withdrew its claims alleging discriminatory treatment and the imposition of unfair trading conditions and increased its damages claim to 99.8 million RMB (approximately $14.4 million based on the exchange rate as of December 31, 2016). The Shenzhen Court held hearings in the FRAND case on July 29-31,

2015 and held a second hearing on the anti-monopoly law case on October 12, 2015. Both cases remain pending. It is possible that the court may schedule further hearings in these cases before issuing its decisions.

The Company has not recorded any accrual at December 31, 2016 for contingent losses associated with these matters based on its belief that losses, while reasonably possible, are not probable in accordance with accounting guidance.

Pegatron Actions

In first quarter 2015, we learned that on or about February 3, 2015, Pegatron Corporation ("Pegatron") filed a civil suit in Taiwan Intellectual Property Court against InterDigital, Inc. and certain of its subsidiaries alleging breach of the Taiwan Fair Trade Act (the "Pegatron Taiwan Action"). Pegatron and InterDigital entered into a patent license agreement in April 2008 (the "Pegatron PLA"). Pegatron was a subsidiary of Asustek Computer Incorporated until the completion of its spin-off from Asustek in June 2010. On May 26, 2015, InterDigital, Inc. received a copy of the civil complaint filed by Pegatron in the Taiwan Intellectual Property Court. The complaint named as defendants InterDigital, Inc. as well as InterDigital's wholly owned subsidiaries InterDigital Technology Corporation and IPR Licensing, Inc. (together, for purposes of this discussion, "InterDigital"). The complaint alleged that InterDigital abused its market power by improperly setting, maintaining or changing the royalties Pegatron is required to pay under the Pegatron PLA, and engaging in unreasonable discriminatory treatment and other unfair competition activities in violation of the Taiwan Fair Trade Act. The complaint sought minimum damages in the amount of approximately $52 million, which amount could be expanded during the litigation, and that the court order multiple damages based on its claim that the alleged conduct was intentional. The complaint also sought an order requiring InterDigital to cease enforcing the royalty provisions of the Pegatron PLA, as well as all other conduct that allegedly violates the Fair Trade Act.

On June 5, 2015 InterDigital filed an Arbitration Demand with the American Arbitration Association's International Centre for Dispute Resolution ("ICDR") seeking declaratory relief denying all of the claims in Pegatron's Taiwan Action and for breach of contract. On or about June 10, 2015, InterDigital filed a complaint in the United States District Court for the Northern District of California, San Jose Division (the "CA Northern District Court") seeking a Temporary Restraining Order, Preliminary Injunction, and Permanent Anti-suit Injunction against Pegatron prohibiting Pegatron from prosecuting the Pegatron Taiwan Action. The complaint also seeks specific performance by Pegatron of the dispute resolution procedures set forth in the Pegatron PLA and compelling arbitration of the disputes in the Pegatron Taiwan Action. On June 29, 2015, the court granted InterDigital's motion for a temporary restraining order and preliminary injunction requiring Pegatron take immediate steps to dismiss the Taiwan Action without prejudice. On July 1, 2015, InterDigital was informed that Pegatron had withdrawn its complaint in the Taiwan Intellectual Property Court and that the case had been dismissed without prejudice.

On August 3, 2015, Pegatron filed an answer and counterclaims to InterDigital's CA Northern District Court complaint. Pegatron accused InterDigital of violating multiple sections of the Taiwan Fair Trade Act, violating Section Two of the Sherman Act, breaching ETSI, IEEE, and ITU contracts, promissory estoppel (pled in the alternative), violating Section 17200 of the California Business & Professions Code, and violating the Delaware Consumer Fraud Act. These counterclaims stem from Pegatron's accusation that InterDigital violated FRAND obligations. As relief, Pegatron seeks a declaration regarding the appropriate FRAND terms and conditions for InterDigital's "declared essential patents," a declaration that InterDigital's standard essential patents are unenforceable due to patent misuse, an order requiring InterDigital to grant Pegatron a license on FRAND terms, an order enjoining InterDigital's alleged ongoing breaches of its FRAND commitments, and damages in the amount of allegedly excess non-FRAND royalties Pegatron has paid to InterDigital, plus interest and treble damages. On August 7, 2015, Pegatron responded to InterDigital's arbitration demand, disputing the arbitrability of Pegatron's claims. On September 24, 2015, InterDigital moved to compel arbitration and dismiss Pegatron's counterclaims or, in the alternative, stay the counterclaims pending the parties' arbitration. Pegatron's opposition to this motion was filed on October 22, 2015, and InterDigital's reply was filed on November 12, 2015. On

January 20, 2016, the court granted InterDigital's motion to compel arbitration of Pegatron's counterclaims and to stay the counterclaims pending the arbitrators' determination of their arbitrability. On January 27, 2016, the parties stipulated to stay all remaining aspects of the CA Northern District case pending such an arbitrability determination. On the same day, the court granted the stay and administratively closed the case. The arbitration remains pending.

Asustek Actions

On April 15, 2015, Asustek Computer Incorporated ("Asus") filed a complaint in the CA Northern District Court against InterDigital, Inc., and its subsidiaries InterDigital Communications, Inc., InterDigital Technology Corporation, IPR Licensing, Inc., and InterDigital Patent Holdings, Inc. The complaint asserted the following causes of action: violation of Section Two of the Sherman Act, violation of Section 17200 of the California Business and Professions Code, breach of contract resulting from ongoing negotiations, breach of contract leading to and resulting in the parties' April 2008 patent license agreement (the "2008 Asus PLA"), promissory estoppel, waiver, and fraudulent inducement to contract. Among other allegations, Asus alleged that InterDigital breached its FRAND commitment. As relief, Asus sought a judgment that the 2008 Asus PLA is void or unenforceable, damages in the amount of excess royalties Asus paid under the 2008 Asus PLA plus interest, a judgment setting the proper FRAND terms and conditions for InterDigital's patent portfolio, an order requiring InterDigital to grant Asus a license on FRAND terms and conditions, and punitive damages and other relief.

In response, on May 30, 2015, InterDigital filed an Arbitration Demand with the ICDR. InterDigital claimed that Asus breached the 2008 Asus PLA's dispute resolution provision by filing its CA Northern District Court lawsuit and sought declaratory relief that it is not liable for any of the claims in Asus's complaint. On June 2, 2015, InterDigital filed in the CA Northern District Court a motion to compel arbitration on each of Asus's claims. On August 25, 2015, the court granted InterDigital's motion for all of Asus's claims except its claim for breach of contract resulting from ongoing negotiations. Aside from this claim, the court ruled that the issue of arbitrability should be decided by an arbitrator, and stayed the proceedings pending that determination.

Asus asserted counterclaims in the arbitration that mirrored its CA Northern District Court claims, except that it did not assert the breach of contract claim that the court determined was not arbitrable and it added a claim of violation of the Delaware Consumer Fraud Act. Asus also contended that its counterclaims were not arbitrable. InterDigital added a claim for breach of the 2008 Asus PLA's confidentiality provision.

On July 14, 2016, Asus filed a motion to lift the stay in the CA Northern District Court proceeding along with a notice of the arbitral tribunal's decision on arbitrability, informing the court of the arbitrators' decision that, other than InterDigital's breach of contract claims and Asus's fraudulent inducement claim, no other claim or counterclaim is arbitrable. Asus then filed in the CA Northern District Court an amended complaint on August 18, 2016. This amended complaint includes all of the claims in Asus's first CA Northern District Court complaint except fraudulent inducement and adds a claim of violation of the Delaware Consumer Fraud Act. It seeks the same relief as its first CA Northern District Court complaint, but also seeks a ruling that each of InterDigital's patents "declared [to standards-setting organizations] to be essential or potentially essential" is unenforceable and any contracts InterDigital entered into in furtherance of its unlawful conduct are void. On September 8, 2016, InterDigital filed its answer and counterclaims to Asus' amended complaint. It denied Asus's claims and filed a counterclaim for declaratory judgment that Asus's tort claims are invalid or preempted as applied under the First Amendment to the U.S. Constitution, the Patent Clause of the U.S. Constitution, and Title 35 of the U.S. Code. On September 28, 2016, Asus answered and denied InterDigital's counterclaims. On December 16, 2016, the court set a case schedule that includes a May 2019 trial date.

With respect to its arbitration counterclaim for fraudulent inducement, Asus stated in its recent pleadings that it was seeking return of excess royalties of close to $63 million, plus interest, costs and attorneys' fees as of the time of the filing. The evidentiary hearing in the arbitration was held in January 2017. InterDigital has not yet received the arbitrators' decision.

The Company has not recorded any accrual at December 31, 2016, for contingent losses associated with these matters. While a material loss is reasonably possible, the Company cannot estimate the potential range of loss with respect to the arbitration matter given the range of possible outcomes, nor with respect to the CA Northern District Court proceeding, as this matter is not at a sufficiently advanced stage to allow for such an estimate.

Microsoft Sherman Act Delaware Proceedings

On August 20, 2015, Microsoft Mobile, Inc. and Microsoft Mobile Oy (collectively "Microsoft") filed a complaint in the United States District Court for the District of Delaware (the "Delaware District Court") against InterDigital, Inc., InterDigital Communications, Inc., InterDigital Technology Corporation, InterDigital Patent Holdings, Inc., InterDigital Holdings, Inc., and IPR Licensing, Inc. The complaint alleges that InterDigital has monopolized relevant markets for 3G and 4G cellular technology in violation of Section 2 of the Sherman Act. As relief, Microsoft seeks declaratory judgments that InterDigital has violated Section 2 of the Sherman Act, that "each of InterDigital's U.S. patents declared by it to be Essential" to the 3G and 4G standards is unenforceable, and that all agreements InterDigital has entered into in furtherance of its alleged unlawful conduct are void. Microsoft also seeks an award of treble damages and the following injunctive relief: requiring InterDigital to grant Microsoft a non-confidential license to its U.S. standards essential patents ("SEPs") on FRAND terms as determined by a court, requiring InterDigital to disclose to Microsoft the terms of its other SEP licenses, preventing InterDigital from enforcing any exclusion orders it might receive with respect to its SEPs, and requiring InterDigital to re-assign any declared SEPs that it has assigned to controlled entities.

On November 4, 2015, InterDigital filed a motion to dismiss and to strike Microsoft's complaint. A hearing on this motion was held on March 1, 2016, and on April 13, 2016, the Delaware District Court denied InterDigital's motion. On April 27, 2016, InterDigital filed a motion with the Delaware District Court to certify questions addressed in the court's April 13, 2016 decision for interlocutory appeal. The court denied InterDigital's motion for certification of interlocutory appeal on June 13, 2016.

On May 27, 2016, InterDigital filed its answer and counterclaims. InterDigital denied Microsoft's claim that InterDigital violated Section 2 of the Sherman Act and asserted several defenses. InterDigital also filed two counterclaims for declaratory judgment: (i) that Microsoft's Sherman Act claim is invalid and preempted as applied under the First Amendment of the U.S. Constitution, the Patent Clause of the U.S. Constitution, and Title 35 of the U.S. Code; and (ii) that Microsoft waived entitlement to benefit from FRAND commitments by InterDigital due to Microsoft's reverse hold-up behavior. Microsoft filed an answer to InterDigital's counterclaims on June 20, 2016. Trial is scheduled to begin in September 2018.

REGULATORY PROCEEDINGS

Investigation by Taiwan Fair Trade Commission

On December 6, 2013, InterDigital received notice from the Taiwan Fair Trade Commission ("TFTC") that the TFTC had initiated an investigation to examine alleged anti-competitive behavior under Taiwan's Fair Trade Act (FTA). Companies found to violate the FTA may be ordered to cease and rectify the unlawful conduct, take other necessary corrective action, and/or pay an administrative fine. During second quarter 2016, InterDigital was informed by its local counsel that the staff of the TFTC has completed its investigation and has forwarded its recommendations to the Commission. InterDigital is fully cooperating with the TFTC's investigation.

Investigation by National Development and Reform Commission of China

On September 23, 2013, counsel for InterDigital was informed by China's National Development and Reform Commission ("NDRC") that the NDRC had initiated a formal investigation into whether InterDigital has violated China's Anti-Monopoly Law ("AML") with respect to practices related to the licensing of InterDigital's

standards-essential patents to Chinese companies. Companies found to violate the AML may be subject to a cease and desist order, fines and disgorgement of any illegal gains. On March 3, 2014, the Company submitted to NDRC, pursuant to a procedure set out in the AML, a formal application for suspension of the investigation that included proposed commitments by the Company. On May 22, 2014, NDRC formally suspended its investigation of the Company based on the commitments proposed by the Company. The Company's commitments with respect to the licensing of its patent portfolio for wireless mobile standards to Chinese manufacturers of cellular terminal units ("Chinese Manufacturers") are as follows:

1. Whenever InterDigital engages with a Chinese Manufacturer to license InterDigital's patent portfolio for 2G, 3G and 4G wireless mobile standards, InterDigital will offer such Chinese Manufacturer the option of taking a worldwide portfolio license of only its standards-essential wireless patents, and comply with F/RAND principles when negotiating and entering into such licensing agreements with Chinese Manufacturers.
2. As part of its licensing offer, InterDigital will not require that a Chinese Manufacturer agree to a royalty-free, reciprocal cross-license of such Chinese Manufacturer's similarly categorized standards-essential wireless patents.
3. Prior to commencing any action against a Chinese Manufacturer in which InterDigital may seek exclusionary or injunctive relief for the infringement of any of its wireless standards-essential patents, InterDigital will offer such Chinese Manufacturer the option to enter into expedited binding arbitration under fair and reasonable procedures to resolve the royalty rate and other terms of a worldwide license under InterDigital's wireless standards-essential patents. If the Chinese Manufacturer accepts InterDigital's binding arbitration offer or otherwise enters into an agreement with InterDigital on a binding arbitration mechanism, InterDigital will, in accordance with the terms of the arbitration agreement and patent license agreement, refrain from seeking exclusionary or injunctive relief against such company.

The commitments contained in item 3 above will expire five years from the effective date of the suspension of the investigation, or May 22, 2019.

USITC PROCEEDINGS AND RELATED DELAWARE DISTRICT COURT PROCEEDINGS

Nokia and ZTE 2013 USITC Proceeding (337-TA-868) and Related Delaware District Court Proceedings

USITC Proceeding (337-TA-868)

On January 2, 2013, the Company's wholly owned subsidiaries InterDigital Communications, Inc., InterDigital Technology Corporation, IPR Licensing, Inc. and InterDigital Holdings, Inc. filed a complaint with the United States International Trade Commission (the "USITC" or "Commission") against Samsung Electronics Co., Ltd., Samsung Electronics America, Inc. and Samsung Telecommunications America, LLC, Nokia Corporation and Nokia Inc., Huawei Technologies Co., Ltd., Huawei Device USA, Inc. and FutureWei Technologies, Inc. d/b/a Huawei Technologies (USA) and ZTE Corporation and ZTE (USA) Inc. (collectively, the "337-TA-868 Respondents"), alleging violations of Section 337 of the Tariff Act of 1930 in that they engaged in unfair trade practices by selling for importation into the United States, importing into the United States and/or selling after importation into the United States certain 3G and 4G wireless devices (including WCDMA-, cdma2000- and LTE-capable mobile phones, USB sticks, mobile hotspots, laptop computers and tablets and components of such devices) that infringe one or more of up to seven of InterDigital's U.S. patents. The complaint also extended to certain WCDMA and cdma2000 devices incorporating Wi-Fi functionality. InterDigital's complaint with the USITC sought an exclusion order that would bar from entry into the United States infringing 3G or 4G wireless devices (and components), including LTE devices, that are imported by or on behalf of the 337-TA-868 Respondents, and also sought a cease-and-desist order to bar further sales of infringing products that have already been imported into the United States. Certain of the asserted patents were also asserted against Nokia, Huawei and ZTE in earlier pending USITC proceedings (including the Nokia, Huawei and ZTE

2011 USITC Proceeding (337-TA-800) and the Nokia 2007 USITC Proceeding (337-TA-613), as set forth below) and therefore were not asserted against those 337-TA-868 Respondents in this investigation.

On December 23, 2013, InterDigital and Huawei reached a settlement agreement to enter into binding arbitration to resolve their global patent licensing disputes. Pursuant to the settlement agreement, InterDigital and Huawei moved to dismiss all litigation matters pending between the parties except the action filed by Huawei in China to set a fair, reasonable and non-discriminatory ("FRAND") rate for the licensing of InterDigital's Chinese standards-essential patents (discussed above under "Huawei China Proceedings"), the decision in which InterDigital is permitted to further appeal. As a result, effective February 12, 2014, the Huawei Respondents were terminated from the 337-TA-868 investigation.

From February 10 to February 20, 2014, ALJ Essex presided over the evidentiary hearing in this investigation. The patents in issue in this investigation as of the hearing were U.S. Patent Nos. 7,190,966 (the "'966 patent") and 7,286,847 (the "'847 patent") asserted against ZTE and Samsung, and U.S. Patent No. 7,941,151 (the "'151 patent") asserted against ZTE, Samsung and Nokia.

On June 3, 2014, InterDigital and Samsung filed a joint motion to terminate the investigation as to Samsung on the basis of settlement. The ALJ granted the joint motion by initial determination issued on June 9, 2014, and the USITC determined not to review the initial determination on June 30, 2014.

On June 13, 2014, the ALJ issued an Initial Determination ("ID") in the 337-TA-868 investigation. In the ID, the ALJ found that no violation of Section 337 had occurred in connection with the importation of 3G/4G devices by ZTE or Nokia, on the basis that the accused devices do not infringe asserted claims 1-6, 8-9, 16-21 or 23-24 of the '151 patent, claims 1, 3, 6, 8, 9, or 11 of the '966 patent, or claims 3 or 5 of the '847 patent. The ALJ also found that claim 16 of the '151 patent was invalid as indefinite. Among other determinations, the ALJ further determined that InterDigital did not violate any FRAND obligations, a conclusion also reached by the ALJ in the 337-TA-800 investigation, and that Respondents have engaged in patent "hold out."

On June 30, 2014, InterDigital filed a Petition for Review with the USITC seeking review and reversal of certain of the ALJ's conclusions in the ID. On the same day, Respondents filed a Conditional Petition for Review urging alternative grounds for affirmance of the ID's finding that Section 337 was not violated and a Conditional Petition for Review with respect to FRAND issues.

In June 2014, Microsoft Mobile Oy ("MMO") was added as a respondent in the investigation.

On August 14, 2014, the Commission determined to review in part the June 13, 2014 ID but terminated the investigation with a finding of no violation.

On October 10, 2014, InterDigital filed a petition for review with the U.S. Court of Appeals for the Federal Circuit (the "Federal Circuit"), appealing certain of the adverse determinations in the Commission's August 8, 2014 final determination including those related to the '966 and '847 patents. On June 2, 2015, InterDigital moved to voluntarily dismiss the Federal Circuit appeal, because, even if it were to prevail, it did not believe there would be sufficient time following the court's decision and mandate for the USITC to complete its proceedings on remand such that the accused products would be excluded before the '966 and '847 patents expire in June 2016. The court granted the motion and dismissed the appeal on June 18, 2015.

Related Delaware District Court Proceedings

On January 2, 2013, the Company's wholly owned subsidiaries InterDigital Communications, Inc., InterDigital Technology Corporation, IPR Licensing, Inc. and InterDigital Holdings, Inc. filed four related district court actions in the Delaware District Court against the 337-TA-868 Respondents. These complaints allege that each of the defendants infringes the same patents with respect to the same products alleged in the

complaint filed by InterDigital in USITC Proceeding (337-TA-868). The complaints seek permanent injunctions and compensatory damages in an amount to be determined, as well as enhanced damages based on willful infringement, and recovery of reasonable attorneys' fees and costs.

On January 24, 2013, Huawei filed its answer and counterclaims to InterDigital's Delaware District Court complaint. Huawei asserted counterclaims for breach of contract, equitable estoppel, waiver of right to enjoin and declarations that InterDigital has not offered or granted Huawei licenses on FRAND terms, declarations seeking the determination of FRAND terms and declarations of noninfringement, invalidity and unenforceability of the asserted patents. In addition to the declaratory relief specified in its counterclaims, Huawei seeks specific performance of InterDigital's purported contracts with Huawei and standards-setting organizations, appropriate damages in an amount to be determined at trial, reasonable attorneys' fees and such other relief as the court may deem appropriate.

On January 31, 2013, ZTE filed its answer and counterclaims to InterDigital's Delaware District Court complaint; ZTE asserted counterclaims for breach of contract, equitable estoppel, waiver of right to enjoin and declarations that InterDigital has not offered ZTE licenses on FRAND terms, declarations seeking the determination of FRAND terms and declarations of noninfringement, invalidity and unenforceability. In addition to the declaratory relief specified in its counterclaims, ZTE seeks specific performance of InterDigital's purported contracts with ZTE and standards-setting organizations, appropriate damages in an amount to be determined at trial, reasonable attorneys' fees and such other relief as the court may deem appropriate.

On February 28, 2013, Nokia filed its answer and counterclaims to InterDigital's Delaware District Court complaint, and then amended its answer and counterclaims on March 5, 2013. Nokia asserted counterclaims for breach of contract, breach of implied contract, unfair competition under Cal. Bus. & Prof. Code § 17200, equitable estoppel, a declaration setting FRAND terms and conditions, a declaration that InterDigital is estopped from seeking an exclusion order based on its U.S. declared-essential patents, a declaration of patent misuse, a declaration that InterDigital has failed to offer FRAND terms, a declaration that Nokia has an implied license to the asserted patents, and declarations of non-infringement, invalidity and unenforceability. In addition to the declaratory relief specified in its counterclaims, Nokia seeks an order that InterDigital specifically perform its purported contracts by not seeking a USITC exclusion order for its essential patents and by granting Nokia a license on FRAND terms and conditions, an injunction preventing InterDigital from participating in a USITC investigation based on essential patents, appropriate damages in an amount to be determined, including all attorney's fees and costs spent in participating in all three USITC Investigations (337-TA-868, 337-TA-800 and 337-TA-613), and any other relief as the court may deem just and proper.

On March 13, 2013, InterDigital filed an amended Delaware District Court complaint against Nokia and Samsung, respectively, to assert allegations of infringement of the recently issued '244 patent. On April 1, 2013, Nokia filed its answer and counterclaims to InterDigital's amended Delaware District Court complaint. On April 24, 2013, Samsung filed its answer and a counterclaim to InterDigital's amended Delaware District Court complaint.

On March 21, 2013, pursuant to stipulation, the Delaware District Court granted InterDigital leave to file an amended complaint against Huawei and ZTE, respectively, to assert allegations of infringement of the '244 patent. On March 22, 2013, Huawei and ZTE filed their respective answers and counterclaims to InterDigital's amended Delaware District Court complaint. On April 9, 2013, InterDigital filed a motion to dismiss Huawei's and ZTE's counterclaims relating to their FRAND allegations. On April 22, 2013, InterDigital filed a motion to dismiss Nokia's counterclaims relating to its FRAND allegations. On July 12, 2013, the Delaware District Court held a hearing on InterDigital's motions to dismiss. By order issued the same day, the Delaware District Court granted InterDigital's motions, dismissing counterclaims for equitable estoppel, implied license, waiver of the right to injunction or exclusionary relief, and violation of California Bus. & Prof. Code § 17200 with prejudice. It further dismissed the counterclaims for breach of contract and declaratory relief related to InterDigital's FRAND commitments with leave to amend.

On August 6, 2013, Huawei, Nokia, and ZTE filed answers and amended counterclaims for breach of contract and for declaratory judgments seeking determination of FRAND terms. The counterclaims also continue to seek declarations of noninfringement, invalidity, and unenforceability. Nokia also continued to assert a counterclaim for a declaration of patent misuse. On August 30, 2013, InterDigital filed a motion to dismiss the declaratory judgment counterclaims relating to the request for determination of FRAND terms. On May 28, 2014, the court granted InterDigital's motion and dismissed defendants' FRAND-related declaratory judgment counterclaims, ruling that such declaratory judgments would serve no useful purpose.

On December 30, 2013, InterDigital and Huawei filed a stipulation of dismissal on account of the confidential settlement agreement and agreement to arbitrate their disputes in this action. On the same day, the Delaware District Court granted the stipulation of dismissal.

On February 11, 2014, the Delaware District Court judge entered an InterDigital, Nokia, and ZTE stipulated Amended Scheduling Order that bifurcated issues relating to damages, FRAND-related affirmative defenses, and any FRAND-related counterclaims.

On August 28, 2014, the court granted in part a motion by InterDigital for summary judgment that the asserted '151 patent is not unenforceable by reason of inequitable conduct, holding that only one of the references forming the basis of defendants' allegations would remain in issue, and granted a motion by InterDigital for summary judgment that the asserted claims of the '966 and '847 patents are not invalid for lack of enablement.

On August 5, 2014, InterDigital and Samsung filed a stipulation of dismissal in light of the parties' settlement agreement. On the same day, the court granted the stipulation of dismissal and dismissed the action with prejudice.

By order dated August 28, 2014, MMO was joined in the case as a defendant.

The ZTE trial addressing infringement and validity of the '966, '847, '244 and '151 patents was held from October 20 to October 27, 2014. During the trial, the judge determined that further construction of certain claim language of the '151 patent was required, and the judge decided to hold another trial as to ZTE's infringement of the '151 patent at a later date. On October 28, 2014, the jury returned a unanimous verdict in favor of InterDigital, finding that the '966, '847 and '244 patents are all valid and infringed by ZTE 3G and 4G cellular devices. The court issued formal judgment to this effect on October 29, 2014.

On November 26, 2014, ZTE filed a motion for judgment as a matter of law that the asserted claims of the '966, '847 and '244 patents are not infringed and, in the alternative, for a new trial. InterDigital filed an opposition on December 15, 2014, and ZTE filed a reply on January 7, 2015.

The ZTE trial addressing infringement of the '151 patent was held from April 20 to April 22, 2015. On April 22, 2015, the jury returned a verdict in favor of ZTE, finding that the '151 patent is not infringed by ZTE 3G and 4G cellular devices.

On April 23, 2015, InterDigital filed a motion to partially dismiss its complaint pertaining to the '151 patent against Nokia and MMO, as well as Nokia and MMO's counterclaims that relate to the '151 patent (including inequitable conduct), and on April 27, 2015, the judge granted the motion.

On April 27, 2015, the court ruled that Nokia Corporation should be severed for a separate trial addressing infringement of the '244 patent.

On May 5, 2015, the court scheduled the Nokia Inc./MMO jury trial addressing infringement of the '244 patent for November 16, 2015. On May 29, 2015, the court entered a new scheduling order for damages and

FRAND-related issues due to changes in the schedule of the liability portion of the MMO proceedings, scheduling trials related to damages and FRAND-related issues for October 2016 with ZTE and November 2016 with MMO.

On September 14, 2015, a panel of Administrative Law Judges of the United States Patent and Trademark Office Patent Trial and Appeal Board (the "PTAB") issued a final written decision in two Inter Partes Review ("IPR") cases concerning the '244 patent. These IPR proceedings were commenced on petitions filed by ZTE Corporation and ZTE (USA) Inc. and by Microsoft Corporation, respectively. Specifically, the panel determined that a number of claims of the '244 patent are unpatentable as obvious. IPR Licensing, Inc. appealed to the Federal Circuit seeking review of the PTAB's decision. Oral argument in the appeal is scheduled for April 2017. The appeals are pending. On October 13, 2015, by stipulation of the parties, the Delaware District Court stayed the action involving MMO and Nokia Inc., including the November 2015 and November 2016 trials concerning infringement of the '244 patent and damages and FRAND-related issues, respectively, pending completion of the IPR proceedings, including all appeals and subsequent proceedings before the PTAB. This stay is with respect to MMO and Nokia Inc. only, and does not apply to the Delaware action pending against ZTE.

On May 12, 2015, Nokia/MMO moved for summary judgment of non-infringement of the '244 patent, alleging that the accused devices do not practice a particular claim element of the '244 patent. On June 2, 2015, InterDigital opposed Nokia/MMO's motion, and filed a cross-motion for partial summary judgment that the accused devices infringe the claim element at issue in Nokia/MMO's motion for summary judgment. On October 13, 2015, the Delaware District Court denied the pending summary judgment cross-motions without prejudice in light of the stay discussed above, indicating that the motions could be considered refiled if and when the stay is lifted if either party requests it.

On December 21, 2015, the court entered another scheduling order that vacated the October 2016 date for the ZTE trial related to damages and FRAND-related issues as set forth in the May 2015 scheduling order.

On March 18, 2016, the court denied ZTE's motion for judgment as a matter of law, or in the alternative for a new trial, with respect to the '966 and '847 patents. The court postponed its ruling on ZTE's motion as to the '244 patent pending the Federal Circuit's decision on InterDigital's appeal of the September 14, 2015 PTAB ruling and administratively closed that portion of the motion. On April 8, 2016, the court set a new schedule for the FRAND/damages portion of the ZTE case with a target trial date in February 2018.

On April 18, 2016, ZTE filed a stipulated request for dismissal with prejudice of its counterclaims for breach of contract and patent unenforceability based on FRAND and withdrew its corresponding FRAND-related affirmative defenses. The court granted this request the same day. Also on April 18, 2016, ZTE filed a motion under Federal Rule of Civil Procedure 54(b) seeking certification of partial final judgment on the claims for infringement of the '966 and '847 patents to allow ZTE to file an immediate appeal as to those patents. The motion was granted on June 7, 2016, and a partial final judgment was entered on June 20, 2016. On July 18, 2016, ZTE filed its notice of appeal with the Federal Circuit regarding the Delaware District Court's judgment against ZTE with respect to the '966 and '847 patents. ZTE's appeal is pending. As a result, InterDigital's damages claims are currently effectively stayed pending the appeal.

Nokia and ZTE 2011 USITC Proceeding (337-TA-800) and Related Delaware District Court Proceeding

USITC Proceeding (337-TA-800)

On July 26, 2011, InterDigital's wholly owned subsidiaries InterDigital Communications, LLC (now InterDigital Communications, Inc.), InterDigital Technology Corporation and IPR Licensing, Inc. filed a complaint with the USITC against Nokia Corporation and Nokia Inc., Huawei Technologies Co., Ltd. and FutureWei Technologies, Inc. d/b/a Huawei Technologies (USA) and ZTE Corporation and ZTE (USA) Inc. (collectively, the "337-TA-800 Respondents"), alleging violations of Section 337 of the Tariff Act of 1930 in that

they engaged in unfair trade practices by selling for importation into the United States, importing into the United States and/or selling after importation into the United States certain 3G wireless devices (including WCDMA- and cdma2000-capable mobile phones, USB sticks, mobile hotspots and tablets and components of such devices) that infringe several of InterDigital's U.S. patents. The action also extended to certain WCDMA and cdma2000 devices incorporating WiFi functionality. InterDigital's complaint with the USITC sought an exclusion order that would bar from entry into the United States any infringing 3G wireless devices (and components) that are imported by or on behalf of the 337-TA-800 Respondents, and also sought a cease-and-desist order to bar further sales of infringing products that have already been imported into the United States. In May 2012, Huawei Device USA, Inc. was added as a 337-TA-800 Respondent.

The ALJ held an evidentiary hearing from February 12-21, 2013. The patents in issue as of the hearing were U.S. Patent Nos. 8,009,636 (the "'636 patent"), 7,706, 830 (the "'830 patent"), 7,502,406 (the "'406 patent"), 7,616,970 (the "'970 patent"), 7,706,332 (the "'332 patent"), 7,536,013 (the "'013 patent") and 7,970,127 (the "'127 patent"). The ALJ's Initial Determination ("ID") issued on June 28, 2013, finding no violation because the asserted patents were not infringed and/or invalid. Among other determinations, with respect to the 337-TA-800 Respondents' FRAND and other equitable defenses, the ALJ found that Respondents had failed to prove either that InterDigital violated any FRAND obligations, that InterDigital failed to negotiate in good faith, or that InterDigital's licensing offers were discriminatory. The ALJ also found that InterDigital is not precluded from seeking injunctive relief based on any alleged FRAND commitments.

Petitions for review of the ID to the Commission were filed by InterDigital and the 337-TA-800 Respondents on July 15, 2013. On September 4, 2013, the Commission determined to review the ID in its entirety.

On December 19, 2013, the Commission issued its final determination. The Commission adopted, with some modification, the ALJ's finding of no violation of Section 337 as to Nokia, Huawei, and ZTE. The Commission did not rule on any other issue, including FRAND and domestic industry, and stated that all other issues remain under review.

On December 20, 2013, InterDigital filed in the Federal Circuit a petition for review seeking reversal of the Commission's final determination. On February 18, 2015, the Federal Circuit issued a decision affirming the USITC's determinations that the claims of the '830, '636, '406 and '332 patents were not infringed, that the claims of the '970 patent are invalid, and that the Respondents did not violate Section 337. On April 6, 2015, InterDigital filed a combined petition for panel rehearing and rehearing e*n banc* as to the '830 and '636 patents. The petition was denied on May 12, 2015, and the court's mandate issued on May 19, 2015.

Related Delaware District Court Proceeding

On July 26, 2011, the same date that InterDigital filed USITC Proceeding (337-TA-800), it filed a parallel action in the United States District Court for the District of Delaware against the 337-TA-800 Respondents alleging infringement of the same asserted patents identified in USITC Proceeding (337-TA-800). The Delaware District Court complaint seeks a permanent injunction and compensatory damages in an amount to be determined, as well as enhanced damages based on willful infringement, and recovery of reasonable attorneys' fees and costs. On September 23, 2011, the defendants in the Delaware District Court complaint filed a motion to stay the Delaware District Court action pending the parallel proceedings in the USITC. Because the USITC has instituted USITC Proceeding (337-TA-800), the defendants have a statutory right to a mandatory stay of the Delaware District Court proceeding pending a final determination in the USITC. On October 3, 2011, InterDigital amended the Delaware District Court complaint, adding LG as a defendant and adding the same additional patent that InterDigital requested be added to USITC Proceeding (337-TA-800). On October 11, 2011, the Delaware District Court granted the defendants' motion to stay. The case is currently stayed through March 13, 2017.

On January 14, 2014, InterDigital and Huawei filed a stipulation of dismissal of their disputes in this action on account of the confidential settlement agreement mentioned above. On the same day, the Delaware District Court granted the stipulation of dismissal.

Nokia 2007 USITC Proceeding (337-TA-613), Related Delaware District Court Proceeding and Federal Circuit Appeal

USITC Proceeding (337-TA-613)

In August 2007, InterDigital filed a USITC complaint against Nokia Corporation and Nokia, Inc., alleging a violation of Section 337 of the Tariff Act of 1930 in that Nokia engaged in an unfair trade practice by selling for importation into the United States, importing into the United States and/or selling after importation into the United States certain 3G mobile handsets and components that infringe two of InterDigital's patents. In November and December 2007, respectively, a third patent and a fourth patent were added to the Company's complaint against Nokia. The complaint sought an exclusion order barring from entry into the United States infringing 3G mobile handsets and components that are imported by or on behalf of Nokia. InterDigital's complaint also sought a cease-and-desist order to bar further sales of infringing Nokia products that have already been imported into the United States.

On August 14, 2009, the ALJ overseeing USITC Proceeding (337-TA-613) issued an Initial Determination finding no violation of Section 337 of the Tariff Act of 1930. The Initial Determination found that InterDigital's patents were valid and enforceable, but that Nokia did not infringe these patents. In the event that a Section 337 violation were to be found by the Commission, the ALJ recommended the issuance of a limited exclusion order barring entry into the United States of infringing Nokia 3G WCDMA handsets and components, as well as the issuance of appropriate cease-and-desist orders.

On October 16, 2009, the Commission issued a notice that it had determined to review in part the Initial Determination, and that it affirmed the ALJ's determination of no violation and terminated the investigation. The Commission determined to review the claim construction of the patent claim terms "synchronize" and "access signal" and also determined to review the ALJ's validity determinations. On review, the Commission modified the ALJ's claim construction of "access signal" and took no position with regard to the claim term "synchronize" or the validity determinations. The Commission determined not to review the remaining issues decided in the Initial Determination.

On November 30, 2009, InterDigital filed with the Federal Circuit a petition for review of certain rulings by the USITC. In its appeal, InterDigital sought reversal of the Commission's claim constructions and non-infringement findings with respect to certain claim terms in the '966 and '847 patents, vacatur of the Commission's determination of no Section 337 violation and a remand for further proceedings before the Commission. On August 1, 2012, the Federal Circuit issued its decision in the appeal, holding that the Commission had erred in interpreting the claim terms at issue and reversing the Commission's finding of non-infringement. The Federal Circuit adopted InterDigital's interpretation of such claim terms and remanded the case back to the Commission for further proceedings. In addition, the Federal Circuit rejected Nokia's argument that InterDigital did not satisfy the domestic industry requirement. On September 17, 2012, Nokia filed a combined petition for rehearing by the panel or en banc with the Federal Circuit. On January 10, 2013, the Federal Circuit denied Nokia's petition.

On January 17, 2013, the Federal Circuit issued its mandate remanding USITC Proceeding (337-TA-613) to the Commission for further proceedings. On February 12, 2014, the Commission issued a notice, order and opinion remanding the investigation to an ALJ. In doing so, the Commission determined certain issues and identified others that would be subject to further proceedings by the ALJ. The Commission assigned the investigation to an ALJ for limited remand proceedings consistent with its February 12, 2014 opinion.

In June 2014, MMO was added as a respondent in the investigation.

The evidentiary hearing in the remand proceeding was held January 26 — 28, 2015. On April 27, 2015, the ALJ issued his Remand Initial Determination ("RID"). The ALJ found that the imported accused handsets (1) contain chips that were not previously adjudicated and (2) infringe the asserted claims of the '966 and '847 patents, that there was no evidence of patent hold-up by InterDigital, that there is evidence of reverse hold-up by the respondents, and that the public interest does not preclude issuance of an exclusion order.

On May 11, 2015, Nokia Corporation and MMO each filed petitions to the Commission to review the RID. On June 25, 2015, the Commission issued a notice of its decision to review the RID in part. The Commission determined to review the RID's findings concerning the application of the Commission's prior construction of one claim limitation in Investigation Nos. 337-TA-800 and 337-TA-868, the RID's findings as to whether the accused products satisfy that claim limitation, and the RID's public interest findings. The Commission issued its final determination on August 28, 2015, finding that issue preclusion applied with respect to the construction of the claim limitations at issue, and issue preclusion also required a finding of non-infringement. The Commission determined there was no violation of Section 337 and terminated the 337-TA-613 investigation. The Commission found that consideration of the public interest issues was moot and did not address them.

Related Delaware District Court Proceeding

In addition, in August 2007, on the same date as the filing of USITC Proceeding (337-TA-613), InterDigital also filed a complaint in the Delaware District Court alleging that Nokia's 3G mobile handsets and components infringe the same two InterDigital patents identified in the original USITC complaint. The complaint seeks a permanent injunction and damages in an amount to be determined. This Delaware action was stayed on January 10, 2008, pursuant to the mandatory, statutory stay of parallel district court proceedings at the request of a respondent in a USITC investigation. The Delaware District Court permitted InterDigital to add to the stayed Delaware action the third and fourth patents InterDigital asserted against Nokia in the USITC action. This case remains stayed.

OTHER

We are party to certain other disputes and legal actions in the ordinary course of business, including arbitrations and legal proceedings with licensees regarding the terms of their agreements and the negotiation thereof. We do not currently believe that these matters, even if adversely adjudicated or settled, would have a material adverse effect on our financial condition, results of operations or cash flows. None of the above matters have met the requirements for accrual or disclosure of a potential range as of December 31, 2016.

9. RELATED PARTY TRANSACTIONS

In February 2013, we entered into an R&D collaboration agreement with BIO-key International, Inc. ("BIO-key"), and made a direct investment in the company. The R&D collaboration targeted security technology. As part of the agreement, we acquired approximately 4.0 million shares of BIO-key which were initially valued at $0.5 million. During 2014, we sold approximately 1.4 million of such shares, which had been initially valued at approximately $0.2 million. During 2015, we sold our remaining ownership interest, which had been initially valued at approximately $0.3 million. In 2016 and 2015, we paid zero to BIO-key in relation to the collaboration agreement previously discussed.

On September 17, 2013, InterDigital announced that it had entered into a development agreement with a wholly owned subsidiary of DDD Group plc ("DDD") regarding its next generation HD and UHD video processing technologies. Under the terms of the development agreement, DDD and InterDigital collaborated on a video technology project. As part of the agreement, we acquired approximately 7.0 million shares of DDD that were initially valued at $0.9 million. In 2016 and 2015, we paid zero to DDD in relation to the development agreement previously discussed.

10. COMPENSATION PLANS AND PROGRAMS

Compensation Programs

We use a variety of compensation programs to both attract and retain employees, and to more closely align employee compensation with company performance. These programs include, but are not limited to, short-term incentive awards tied to performance goals and cash awards to inventors for filed patent applications and patent issuances, as well as stock option awards, time-based RSU awards and performance-based awards under the LTCP. Our LTCP typically includes annual grants with a three-year vesting period; as a result, in any one year, we are typically accounting for three active LTCP cycles. We issue new shares of our common stock to satisfy our obligations under the share-based components of these programs from the 2009 Plan discussed below. However, our Board of Directors has the right to authorize the issuance of treasury shares to satisfy such obligations in the future.

Stock Plans

On June 4, 2009, our shareholders adopted and approved the 2009 Stock Incentive Plan (the "2009 Plan"), under which current or prospective officers and employees and non-employee directors, consultants and advisors can receive share-based awards such as RSUs, restricted stock, stock options and other stock awards. Our shareholders re-approved the material terms of the 2009 Plan on June 12, 2014. We issue the share-based awards authorized under the 2009 Plan through a variety of compensation programs.

The following table summarizes changes in the number of equity instruments available for grant (in thousands) under the 2009 Plan for the current year:

	Available for Grant
Balance at December 31, 2015	1,403
RSUs granted (a)	(457)
Options granted	(121)
Options expired and RSUs canceled	411
Balance at December 31, 2016	1,236

(a) RSUs granted include time-based RSUs, performance-based RSUs and dividend equivalents.

RSUs and Restricted Stock

Under the 2009 Plan, we may issue RSUs and/or shares of restricted stock to current or prospective officers and employees and non-employee directors, consultants and advisors. Any cancellations of outstanding RSUs granted under the 2009 Plan will increase the number of RSUs and/or shares of restricted stock remaining available for grant under the 2009 Plan. The RSUs vest over periods generally ranging from 0 to 3 years from the date of the grant. During 2016 and 2015, we granted approximately 0.4 million and 0.3 million RSUs, respectively, under the 2009 Plan. We have issued less than 0.1 million shares of restricted stock under the 2009 Plan.

At December 31, 2016 and 2015, we had unrecognized compensation cost related to share-based awards of $24.8 million and $18.1 million, respectively. For grants made in 2016, 2015 and 2014 that cliff vest, we expect to amortize the associated unrecognized compensation cost at December 31, 2016 on a straight-line basis over a three-year period.

Vesting of performance-based RSU awards is subject to attainment of specific goals established by the Compensation Committee of the Board of Directors. Depending upon performance against these goals, the payout range for performance-based RSU awards can be anywhere from 0 to 2 times the value of the award.

Information with respect to current RSU activity is summarized as follows (in thousands, except per share amounts):

	Number of Unvested RSUs	Weighted Average Per Share Grant Date Fair Value
Balance at December 31, 2015	1,491	$40.83
Granted*	457	62.10
Forfeited*	(331)	43.46
Vested*	(219)	44.08
Balance at December 31, 2016	1,398	$46.65

* These numbers include less than 0.1 million RSUs credited on unvested RSU awards as dividend equivalents. Dividend equivalents accrue with respect to unvested RSU awards when and as cash dividends are paid on the Company's common stock, and vest if and when the underlying RSUs vest. Granted amounts include performance-based RSU awards at their maximum potential payout level of 200%.

The total vest date fair value of the RSUs that vested in 2016, 2015 and 2014 was $9.8 million, $26.3 million and $7.7 million, respectively. The weighted average per share grant date fair value of the awards that vested in 2016, 2015 and 2014 was $44.08, $41.29 and $31.29, respectively.

Other RSU Grants

We also grant RSUs to all non-management Board members and, in special circumstances, management personnel outside of the LTCP. Grants of this type are supplemental to any awards granted to management personnel through the LTCP.

Stock Options

The 2009 Plan allows for the granting of incentive and non-qualified stock options, as well as other securities. The 2009 Plan authorizes the issuance of up to 3.0 million shares of common stock pursuant to incentive stock options. The administrator of the 2009 Plan, initially the Compensation Committee of the Board of Directors, determines the number of options to be granted. Annually, since 2013, both incentive and non-qualified stock options have been granted pursuant to the LTCP under the 2009 Plan. Under the terms of the 2009 Plan, the exercise price per share of each option, other than in the event of options granted in connection with a merger or other acquisition, cannot be less than 100% of the fair market value of a share of common stock on the date of grant. Under the 2009 Plan, options are generally exercisable for a period of between 7 to 10 years from the date of grant and may vest on the grant date, another specified date or over a period of time. We also have approximately 0.1 million options outstanding under a prior stock plan that have an indefinite contractual life.

Information with respect to current year stock option activity under the above plans is summarized as follows (in thousands, except per share amounts):

	Outstanding Options	Weighted Average Exercise Price
Balance at December 31, 2015	421	$31.16
Granted	121	54.93
Canceled	—	—
Exercised	(27)	18.26
Balance at December 31, 2016	515	$37.38

The weighted average remaining contractual life of our outstanding options was 9.67 years as of December 31, 2016. We currently have approximately 0.1 million options outstanding that have an indefinite contractual life. These options were granted between 1983 and 1986 under a prior stock plan. For purposes of calculating the weighted average remaining contractual life, these options were assigned an original life in excess of 50 years. The majority of these options have an exercise price between $8.25 and $11.63. The total intrinsic value of stock options exercised during the years ended December 31, 2016, 2015 and 2014 was $1.5 million, $0.2 million and $0.3 million, respectively. The total intrinsic value of our options outstanding at December 31, 2016 was $27.9 million. In 2016, we recorded cash received from the exercise of options of approximately $0.5 million. Upon option exercise, we issued new shares of stock.

At December 31, 2016 and 2015, we had approximately 0.5 million and 0.3 million options outstanding, respectively, that had exercise prices less than the fair market value of our stock at the respective balance sheet date. These options would have generated cash proceeds to the Company of $19.4 million and $8.2 million, respectively, if they had been fully exercised on those dates.

401(k)

We have a 401(k) plan ("Savings Plan") wherein employees can elect to defer compensation within federal limits. We match a portion of employee contributions. Our contribution expense was approximately $1.0 million for each of 2016, 2015 and 2014. At our discretion, we may also make a profit-sharing contribution to our employees' 401(k) accounts.

11. TAXES

Our income tax provision consists of the following components for 2016, 2015 and 2014 (in thousands):

	2016	2015	2014
Current			
Federal	$ 14,637	$ 42,181	$ 49,049
State	(60)	415	2,499
Foreign source withholding tax	79,932	55,276	70,703
	94,509	97,872	122,251
Deferred			
Federal	(48,086)	(89,026)	(121,937)
State	(557)	554	(437)
Foreign source withholding tax	70,925	55,221	52,231
	22,282	(33,251)	(70,143)
Total	$116,791	$ 64,621	$ 52,108

The deferred tax assets and liabilities were comprised of the following components at December 31, 2016 and 2015 (in thousands):

	2016			
	Federal	State	Foreign	Total
Net operating losses	$ —	$ 89,162	$ 463	$ 89,625
Deferred revenue, net	60,320	288	31,686	92,294
Stock compensation	12,648	2,038	—	14,686
Patent amortization	24,145	—	—	24,145
Depreciation	(502)	(70)	—	(572)
Other-than-temporary impairment	558	61	—	619
Other accrued liabilities	4,483	321	—	4,804
Other employee benefits	2,524	275	—	2,799
	104,176	92,075	32,149	228,400
Less: valuation allowance	—	(89,352)	(463)	(89,815)
Net deferred tax asset	$104,176	$ 2,723	$31,686	$138,585

	2015			
	Federal	State	Foreign	Total
Net operating losses	$ —	$ 81,965	$ 140	$ 82,105
Deferred revenue, net	94,203	8	22,473	116,684
Stock compensation	8,147	1,452	—	9,599
Patent amortization	21,217	—	—	21,217
Depreciation	929	(64)	—	865
Other accrued liabilities	7,416	509	—	7,925
Other-than-temporary impairment	494	46	—	540
Other employee benefits	1,888	141	—	2,029
	134,294	84,057	22,613	240,964
Less: valuation allowance	—	(81,893)	—	(81,893)
Net deferred tax asset	$134,294	$ 2,164	$22,613	$159,071

Note: Included within the balance sheet, but not reflected in the tables are deferred tax assets primarily related to foreign withholding taxes that are expected to be paid within the next twelve months of $10.9 million and $1.5 million as of December 31, 2016 and December 31, 2015, respectively.

The following is a reconciliation of income taxes at the federal statutory rate with income taxes recorded by the Company for the years ended December 31, 2016, 2015 and 2014 (in thousands):

	2016	2015	2014
Tax at U.S. statutory rate	35.0%	35.0%	35.0%
State tax provision	(0.1)%	0.5%	0.1%
Change in federal and state valuation allowance	0.1%	—%	—%
Research and development tax credits	(0.5)%	(1.2)%	(4.7)%
Uncertain tax positions	2.1%	—%	0.9%
Permanent differences	0.6%	1.2%	1.5%
Domestic production activities deduction	(9.8)%	—%	—%
Other	0.3%	0.2%	1.2%
Total tax provision (a)	27.7%	35.7%	34.0%

(a) In 2016, the inclusion of benefits associated with domestic production activities, net of uncertain tax provisions, related to prior years reduced the tax provision by 5.6%.

Valuation Allowances and Net Operating Losses

We establish a valuation allowance for any portion of our deferred tax assets for which management believes it is more likely than not that we will be unable to utilize the assets to offset future taxes. We believe it is more likely than not that the majority of our state deferred tax assets will not be utilized; therefore we have maintained a near full valuation allowance against our state deferred tax assets as of December 31, 2016. All other deferred tax assets are fully benefited.

We recognize excess tax benefits associated with share-based compensation to shareholders' equity only when realized. When assessing whether excess tax benefits relating to share-based compensation have been realized, we follow the with and without approach excluding any indirect effects of the excess tax deductions. Under the approach, excess tax benefits related to share-based compensation are not deemed to be realized until after the utilization of all other tax benefits available to the Company. During 2016 and 2015, we realized $0.6 million and $2.5 million, respectively, of tax windfalls and accordingly recorded a corresponding credit to additional paid-in capital in each period. During 2014, we recorded a shortfall of $1.2 million and recorded a corresponding debit to additional paid-in capital. We had sufficient windfall benefits previously recorded in additional paid-in capital to offset the shortfall in 2014. As of December 31, 2016 and 2015, we had $11.9 million and $12.3 million, respectively, of state unrealized tax benefits associated with share-based compensation. These state tax benefits will be accounted for as a credit to additional paid-in capital, if and when realized, rather than a reduction of the provision for income taxes.

Uncertain Income Tax Positions

As of December 31, 2016, 2015 and 2014, we had $10.4 million, $1.5 million and $1.4 million, respectively, of unrecognized tax benefits that, if recognized, would impact the Company's effective tax rate. The total amount of unrecognized tax benefits could change within the next twelve months for a number of reasons including audit settlements, tax examination activities and the recognition and measurement considerations under this guidance.

During 2016, we established a reserve of $3.2 million related to the recognition of the 2016 research and development credit and manufacturing deduction credit. We also established a reserve of $6.3 million related to the recognition of a gross benefit for manufacturing deduction credits related to prior years and released a reserve of $0.6 million for research and development credits. The 2016 reserve was also increased for interest and penalty on previously recognized reserves. During 2015, the reserve was increased for interest and penalty on previously recognized reserves, and we also established a reserve of $0.1 million related to the recognition of the 2015 research and development credit.

The following is a roll forward of our total gross unrecognized tax benefits, which if reversed would impact the effective tax rate, for the fiscal years 2014 through 2016 (in thousands):

	2016	2015	2014
Balance as of January 1	$ 1,469	$1,361	$ —
Tax positions related to current year:			
Additions	3,209	141	95
Reductions	—	—	—
Tax positions related to prior years:			
Additions	6,281	—	1,266
Reductions	—	(33)	—
Settlements	(562)	—	—
Lapses in statues of limitations	—	—	—
Balance as of December 31	$10,397	$1,469	$1,361

Our policy is to recognize interest and/or penalties related to income tax matters in income tax expense. For certain positions that related to years prior to 2016, we have recorded approximately $0.1 million of accrued interest during 2016 and 2015.

The Company and its subsidiaries are subject to United States federal income tax, foreign income and withholding taxes and income taxes from multiple state jurisdictions. Our federal income tax returns for 2011 to the present are currently open and will not close until the respective statutes of limitations have expired. The statutes of limitations generally expire three years following the filing of the return or in some cases three years following the utilization or expiration of net operating loss carry forwards. The statute of limitations applicable to our open federal returns will expire at the end of 2019. The 2016 return is expected to be filed by October 16, 2017 and the statute of limitations will expire three years from the date it is filed. Specific tax treaty procedures remain open for certain jurisdictions for 2006, 2007 and 2008. Many of our subsidiaries have filed state income tax returns on a separate company basis. To the extent these subsidiaries have unexpired net operating losses, their related state income tax returns remain open. These returns have been open for varying periods, some exceeding ten years. The total amount of state net operating losses is $1.5 billion.

The U.S. Internal Revenue Service ("IRS") concluded their audit of tax years 2010 through 2012 in 2015 and the refund, related to research and development tax credits, was reviewed by the Joint Committee on Taxation, as all refund claims in excess of $5.0 million are reviewed. In February 2016, we received correspondence from the Joint Committee on Taxation confirming the results of the IRS exam with no exception. We reversed our related reserve for unrecognized tax benefits of $0.6 million in first quarter 2016. In second quarter 2016, we filed amended returns for 2011 through 2014 related to the manufacturing deduction and received notice from the IRS in third quarter 2016 that the amended years, along with the originally filed return for 2015, were open to examination. We are under audit by one state for tax years 2012 through 2013. Currently we do not expect any material adjustments to our previous tax filings as a result of this audit. No other federal, state or foreign audits are in process.

Foreign Taxes

We pay foreign source withholding taxes on patent license royalties and state taxes when applicable. We apply foreign source withholding tax payments against our United States federal income tax obligations to the extent we have foreign source income to support these credits. In 2016, 2015 and 2014, we paid $79.9 million, $55.3 million and $70.7 million in foreign source withholding taxes, respectively, and applied these payments as credits against our United States federal tax obligation.

Between 2006 and 2016, we paid approximately $375.0 million in foreign taxes for which we have claimed foreign tax credits against our U.S. tax obligations. Of this amount, $236.1 million relates to taxes paid to foreign governments that have tax treaties with the U.S. It is possible that as a result of tax treaty procedures, the U.S. government may reach an agreement with the related foreign governments that will result in a partial refund of foreign taxes paid with a related reduction in our foreign tax credits. Due to both foreign currency fluctuations and differences in the interest rate charged by the U.S. government compared to the interest rates, if any, used by the foreign governments, any such agreement could result in interest expense and/or foreign currency gain or loss.

12. EQUITY TRANSACTIONS

Repurchase of Common Stock

In June 2014, our Board of Directors authorized a new share repurchase program, which was expanded in June 2015 to increase the amount of the program from $300 million to $400 million (the "2014 Repurchase Program"). The Company may repurchase shares under the 2014 Repurchase Program through open market purchases, pre-arranged trading plans or privately negotiated purchases.

The table below sets forth the number of shares repurchased and the dollar value of shares repurchased under the 2014 Repurchase Program during 2016, 2015 and 2014, in thousands.

	2014 Repurchase Program	
	# of Shares	Value
2016	1,304	$ 64,685
2015	1,836	96,410
2014	3,554	152,625
Total	6,694	$313,720

Dividends

Cash dividends on outstanding common stock declared in 2016 and 2015 were as follows (in thousands, except per share data):

	Per Share	Total	Cumulative by Fiscal Year
2016			
First quarter	$0.20	$ 6,923	$ 6,923
Second quarter	0.20	6,861	13,784
Third quarter	0.30	10,285	24,069
Fourth quarter	0.30	10,290	34,359
	$1.00	$34,359	
2015			
First quarter	$0.20	$ 7,232	$ 7,232
Second quarter	0.20	7,243	14,475
Third quarter	0.20	7,183	21,658
Fourth quarter	0.20	7,068	28,726
	$0.80	$28,726	

In September 2016, we announced that our Board of Directors had approved an increase in the Company's quarterly cash dividend to $0.30 per share. We currently expect to continue to pay dividends comparable to our quarterly $0.30 per share cash dividend in the future; however, continued payment of cash dividends and changes in the Company's dividend policy will depend on the Company's earnings, financial condition, capital resources and capital requirements, alternative uses of capital, restrictions imposed by any existing debt, economic conditions and other factors considered relevant by our Board of Directors.

Common Stock Warrants

On March 29, 2011 and March 30, 2011, we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 3.5 million and approximately 0.5 million shares of our common stock, respectively. In consideration for the warrants issued on such dates, we received $27.6 million and $4.1 million, respectively, on April 4, 2011. The warrants became exercisable and expired in daily tranches from June 15, 2016 through August 10, 2016, and had an adjusted strike price of $62.95 per share. The market price of our common stock did not exceed the strike price of the warrants on any warrant expiration date in second quarter 2016; during third quarter 2016, we issued 23,667 shares of common stock pursuant to these warrants.

On March 5 and March 9, 2015, we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 3.8 million and approximately 0.6 million shares of our common stock, respectively, at an initial

strike price of approximately $88.46 per share. The warrants become exercisable and expire in daily tranches over a three and a half month period starting in June 2020. As consideration for the warrants issued on March 5 and March 9, 2015, we received approximately $37.3 million and approximately $5.6 million, respectively.

13. SELECTED QUARTERLY RESULTS (UNAUDITED)

The table below presents quarterly data for the years ended December 31, 2016 and 2015:

	First	Second	Third	Fourth
	(In thousands, except per share amounts, unaudited)			
2016				
Revenues (a)	$107,764	$ 75,915	$208,307	$273,868
Net income applicable to InterDigital, Inc.'s common shareholders	$ 28,071	$ 39,994	$104,466	$136,470
Net income per common share — basic	$ 0.80	$ 1.16	$ 3.05	$ 3.98
Net income per common share — diluted	$ 0.79	$ 1.14	$ 2.99	$ 3.85
2015				
Revenues (b)	$110,378	$118,551	$100,408	$112,098
Net income applicable to InterDigital, Inc.'s common shareholders	$ 29,065	$ 32,602	$ 24,520	$ 33,038
Net income per common share — basic	$ 0.79	$ 0.91	$ 0.68	$ 0.93
Net income per common share — diluted	$ 0.78	$ 0.89	$ 0.68	$ 0.92

(a) In 2016, we recognized $309.7 million of past patent royalties primarily due to new patent license agreements.

(b) In 2015, we recognized $65.5 million of past patent royalties primarily due to new patent license and settlement agreements.

14. VARIABLE INTEREST ENTITIES

As further discussed below, we are the primary beneficiary of two variable interest entities. As of December 31, 2016, the combined book values of the assets and liabilities associated with these variable interest entities included in our Consolidated Balance Sheet were $28.9 million and $2.3 million, respectively. Assets included $20.3 million of cash and cash equivalents and $8.0 million of patents, net. As of December 31, 2015, the combined book values of the assets and liabilities associated with these variable interest entities included in our Consolidated Balance Sheet were $24.2 million and $0.8 million, respectively. Assets included $19.0 million of cash and cash equivalents and $5.2 million of patents, net. The impact of consolidating these variable interest entities on our Consolidated Statements of Income was not significant.

Convida Wireless

On September 26, 2015, we renewed and expanded our joint venture with Sony, Convida Wireless, to include 5G technologies. Convida Wireless was launched in 2013 to combine Sony's consumer electronics expertise with our pioneering IoT expertise to drive IoT communications and connectivity. Based on the terms of the agreement, the parties will contribute funding and resources for additional research and platform development, which we will perform. SCP IP Investment LLC, an affiliate of Stephens Inc., is a minority investor in Convida Wireless.

Convida Wireless is a variable interest entity. Based on our provision of research and platform development services to Convida Wireless, we have determined that we remain the primary beneficiary for accounting purposes and will continue to consolidate Convida Wireless. For the years ended December 31, 2016, 2015 and 2014, we have allocated approximately $3.5 million, $2.8 million and $2.9 million, respectively, of Convida Wireless' net loss to noncontrolling interests held by other parties.

Signal Trust for Wireless Innovation

In 2013, we established the Signal Trust for Wireless Innovation ("Signal Trust"), the goal of which is to monetize a large patent portfolio related to cellular infrastructure.

The more than 500 patents and patent applications transferred from InterDigital to the Signal Trust focus primarily on 3G and LTE technologies, and were developed by InterDigital's engineers and researchers over more than a decade, with a number of the innovations contributed to the worldwide standards process.

InterDigital is the primary beneficiary of the Signal Trust. The distributions from the Signal Trust will support continued research related to cellular wireless technologies. A small portion of the proceeds from the Signal Trust will be used to fund, through the Signal Foundation for Wireless Innovation, scholarly analysis of intellectual property rights and the technological, commercial and creative innovations they facilitate.

The Signal Trust is a variable interest entity. Based on the terms of the Trust Agreement, we have determined that we are the primary beneficiary for accounting purposes and must consolidate the Signal Trust.

NOTE 15. BUSINESS COMBINATIONS

Hillcrest Labs

On December 20, 2016, we acquired Hillcrest Laboratories, Inc. ("Hillcrest Labs"), a pioneer in sensor processing technology, for approximately $48.0 million in cash, net of $0.4 million cash acquired. The business combination transaction was accounted for using the acquisition method of accounting. We estimated the fair value of the intangible assets in this transaction through a combination of a discounted cash flow analysis (the income approach) and an analysis of comparable market transactions (the market approach). For the income approach, the inputs and assumptions used to develop these estimates were based on a market participant perspective and included estimates of projected revenues, discount rates, economic lives and income tax rates, among others. For the market approach, judgment was applied as to which market transactions were most comparable to the transaction. As the result of the purchase price allocation being preliminary, we have not yet allocated goodwill to a reporting unit.

Purchase price allocation

The following table summarizes the purchase price allocation made to the net tangible and intangible assets acquired and liabilities assumed on their acquisition date fair values, with the excess amount recorded as goodwill, which is representative of the expected synergies from the integration of Hillcrest Labs and its strategic fit within our organization (in thousands):

	Amount	Estimated Useful Life (Years)
Net tangible assets and liabilities:		
Deferred tax assets and liabilities	$ 2,221	
Net working capital	(8,893)	
	$ (6,672)	
Identified intangible assets:		
Patents/existing technology	$36,200	9 - 10
Trade name	600	9
Customer relationships	1,700	10
Goodwill	16,172	N/A
	$54,672	
Total purchase price	$48,000	

The amounts of revenue and earnings that would have been included in the Company's condensed consolidated statement of operations for the year ended December 31, 2016 and 2015 had the acquisition date been January 1, 2015, are as reflected in the table below. These amounts have been calculated after applying the Company's accounting policies and adjusting the results to reflect additional amortization that would have been charged assuming the fair value adjustments to amortizable intangible assets had been recorded as of January 1, 2015. In addition, pro forma adjustments have been made to reflect the impact of $7.7 million of transaction related costs. These unaudited pro forma combined results of operations have been prepared for comparative purposes only, and they do not purport to be indicative of the results of operations that actually would have resulted had the acquisition occurred on the date indicated, or that may result in the future. The amounts in the table are unaudited (in thousands).

	Revenue	Earnings
Actual for the year ended December 31, 2016	$665,854	$309,001
Actual for the year ended December 31, 2015	$441,435	$119,225
Supplemental pro forma for the year ended December 31, 2016	$672,695	$305,237
Supplemental pro forma for the year ended December 31, 2015	$451,853	$109,834

Item 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.*

None.

Item 9A. *CONTROLS AND PROCEDURES.*

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and its Chief Financial Officer, with the assistance of other members of management, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2016. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorization of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Management, including the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of internal control over financial reporting as of December 31, 2016. Management based this assessment on criteria for effective internal control over financial reporting described in "*Internal Control — Integrated Framework*" issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013). Based on this assessment, management determined that, as of December 31, 2016, the Company maintained effective internal control over financial reporting at a reasonable assurance level.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report that appears under Part II, Item 8, of this Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during fourth quarter 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *OTHER INFORMATION.*

None.

PART III

Item 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.*

The information required by this item is incorporated by reference to the information following the captions "Election of Directors," "EXECUTIVE OFFICERS," "Section 16(a) Beneficial Ownership Reporting Compliance," "Code of Ethics," "Nominating and Corporate Governance Committee" and "Audit Committee" in the definitive proxy statement to be filed pursuant to Regulation 14A in connection with our 2017 annual meeting of shareholders not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K (the "Proxy Statement").

Item 11. *EXECUTIVE COMPENSATION.*

The information required by this item is incorporated by reference to the information following the captions "EXECUTIVE COMPENSATION" and "DIRECTOR COMPENSATION" in the Proxy Statement.

Item 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.*

The information required by this item is incorporated by reference to the information following the captions "EQUITY COMPENSATION PLAN INFORMATION" and "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" in the Proxy Statement.

Item 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.*

The information required by this item is incorporated by reference to the information following the captions "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" and "Director Independence" in the Proxy Statement.

Item 14. *PRINCIPAL ACCOUNTANT FEES AND SERVICES.*

The information required by this item is incorporated by reference to the information following the captions "Fees Paid to Independent Registered Public Accounting Firm" and "Audit Committee Pre-Approval Policy for Audit and Non-Audit Services of Independent Registered Public Accounting Firm" in the Proxy Statement.

PART IV

Item 15. ***EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.***

(a) The following documents are filed as a part of this Form 10-K:

(1) Financial Statements.

The information required by this item begins on Page 71.

(2) Financial Statement Schedules.

The following financial statement schedule of InterDigital is included herewith and should be read in conjunction with the Financial Statements included in this Item 15.

Valuation and Qualifying Accounts

	Balance Beginning of Period	Increase/ (Decrease)	Reversal of Valuation Allowance	Balance End of Period
2016 valuation allowance for deferred tax assets	$81,893	$ 7,922(a)	$—	$89,815
2015 valuation allowance for deferred tax assets	$71,679	$10,214(a)	$—	$81,893
2014 valuation allowance for deferred tax assets	$70,492	$ 1,187(a)	$—	$71,679
2016 reserve for uncollectible accounts	$ —	$ —	$—	$ —
2015 reserve for uncollectible accounts	$ 1,654	$ (1,654)(b)	$—	$ —
2014 reserve for uncollectible accounts	$ 1,750	$ (96)	$—	$ 1,654

(a) The increase was primarily necessary to maintain a full, or near full, valuation allowance against our state deferred tax assets and did not result in additional tax expense.

(b) The decrease relates to the reversal of a bad debt reserve as a result of a settlement agreement with a technology solutions customer.

(3) Exhibits.

See Item 15(b) below.

(b)

Exhibit Number	Exhibit Description
*3.1	Amended and Restated Articles of Incorporation of InterDigital, Inc. (“InterDigital”) (Exhibit 3.1 to InterDigital’s Current Report on Form 8-K dated June 7, 2011).
*3.2	Amended and Restated Bylaws of InterDigital (Exhibit 3.1 to InterDigital’s Current Report on Form 8-K dated January 30, 2015).
*4.1	Specimen Stock Certificate of InterDigital (Exhibit 4.3 to InterDigital’s Quarterly Report on Form 10-Q dated April 28, 2011).
*4.2	Indenture, dated March 11, 2015, between InterDigital and the Bank of New York Mellon Trust Company, N.A., as trustee (Exhibit 4.1 to InterDigital’s Current Report on Form 8-K dated March 11, 2015).
*4.3	Form of 1.50% Senior Convertible Note due 2020 (Exhibit 4.2 to InterDigital’s Current Report on Form 8-K dated March 11, 2015).
	Real Estate Leases
*10.1	Lease Agreement effective March 1, 2012 by and between InterDigital and Musref Bellevue Parkway, LP (Exhibit 10.5 to InterDigital’s Annual Report on Form 10-K for the year ended December 31, 2012).

Exhibit Number	Exhibit Description
	Benefit Plans
†*10.2	Non-Qualified Stock Option Plan, as amended (Exhibit 10.4 to InterDigital's Annual Report on Form 10-K for the year ended December 31, 1991).
†*10.3	Amendment to Non-Qualified Stock Option Plan (Exhibit 10.31 to InterDigital's Quarterly Report on Form 10-Q dated August 14, 2000).
†*10.4	Amendment to Non-Qualified Stock Option Plan, effective October 24, 2001 (Exhibit 10.6 to InterDigital's Annual Report on Form 10-K for the year ended December 31, 2001).
†*10.5	2009 Stock Incentive Plan (Exhibit 99.1 to InterDigital's Registration Statement on Form S-8 filed with the Securities and Exchange Commission ("SEC") on June 4, 2009 (File No. 333-159743)).
†*10.6	Amendment to 2009 Stock Incentive Plan, effective as of June 12, 2013 (Exhibit 10.1 to InterDigital's Quarterly Report on Form 10-Q dated July 26, 2013).
†*10.7	2015 Amendment to 2009 Stock Incentive Plan, effective as of June 11, 2015 (Exhibit 10.1 to InterDigital's Quarterly Report on Form 10-Q dated July 30, 2015).
†*10.8	2009 Stock Incentive Plan, Term Sheet and Standard Terms and Conditions for Restricted Stock Units (LTCP Time-Based Award) (Exhibit 10.3 to InterDigital's Current Report on Form 8-K dated January 28, 2013).
†*10.9	2009 Stock Incentive Plan, Term Sheet and Standard Terms and Conditions for Restricted Stock Units (LTCP Performance-Based Award) (Exhibit 10.4 to InterDigital's Current Report on Form 8-K dated January 28, 2013).
†*10.10	2009 Stock Incentive Plan, Term Sheet and Standard Terms and Conditions for Stock Options (LTCP Award) (Exhibit 10.5 to InterDigital's Current Report on Form 8-K dated January 28, 2013).
†*10.11	2009 Stock Incentive Plan, Term Sheet and Standard Terms and Conditions for Time-Based Restricted Stock Units (Exhibit 10.3 to InterDigital's Quarterly Report on Form 10-Q dated April 29, 2015).
†*10.12	2009 Stock Incentive Plan, Term Sheet and Standard Terms and Conditions for Performance-Based Restricted Stock Units (Exhibit 10.4 to InterDigital's Quarterly Report on Form 10-Q dated April 29, 2015).
†*10.13	2009 Stock Incentive Plan, Term Sheet and Standard Terms and Conditions for Stock Options (Exhibit 10.5 to InterDigital's Quarterly Report on Form 10-Q dated April 29, 2015).
†*10.14	2009 Stock Incentive Plan, Term Sheet for Restricted Stock Units (Non-Employee Directors) (Exhibit 10.3 to InterDigital's Quarterly Report on Form 10-Q dated July 26, 2013).
†*10.15	2009 Stock Incentive Plan, Standard Terms and Conditions for Restricted Stock Units (Non-Employee Directors) (Exhibit 10.4 to InterDigital's Quarterly Report on Form 10-Q dated July 26, 2013).
†*10.16	Compensation Program for Non-Management Directors (as amended June 2015) (Exhibit 10.2 to InterDigital's Quarterly Report on Form 10-Q dated July 30, 2015).
†*10.17	Compensation Program for Non-Management Directors (as amended June 2016) (Exhibit 10.1 to InterDigital's Quarterly Report on Form 10-Q dated August 2, 2016).

Exhibit Number	Exhibit Description
†*10.18	Designated Employee Incentive Separation Pay Plan and Summary Plan Description (Exhibit 10.3 to InterDigital's Quarterly Report on Form 10-Q dated October 25, 2012).
†*10.19	Deferred Compensation Plan (Exhibit 10.1 to InterDigital's Current Report on Form 8-K dated June 18, 2013).
	Employment-Related Agreements
†*10.20	Indemnity Agreement dated as of March 19, 2003 by and between InterDigital and Howard E. Goldberg (pursuant to Instruction 2 to Item 601 of Regulation S-K, the Indemnity Agreements, which are substantially identical in all material respects, except as to the parties thereto and the dates, between the Company and the following individuals, were not filed: Jeffrey K. Belk, Richard J. Brezski, S. Douglas Hutcheson, John A. Kritzmacher, John D. Markley, Jr., Scott A. McQuilkin, William J. Merritt, James J. Nolan, Kai O. Öistämö, Jean F. Rankin, Robert S. Roath, Lawrence F. Shay and Philip P. Trahanas) (Exhibit 10.47 to InterDigital's Quarterly Report on Form 10-Q dated May 15, 2003).
†*10.21	Assignment and Assumption of Indemnity Agreement dated as of July 2, 2007, by and between InterDigital Communications Corporation, InterDigital and Bruce G. Bernstein (pursuant to Instruction 2 to Item 601 of Regulation S-K, the Indemnity Agreements, which are substantially identical in all material respects, except as to the parties thereto, between InterDigital Communications Corporation, InterDigital, Inc. and the following individuals, were not filed: Richard J. Brezski, William J. Merritt, James J. Nolan, Robert S. Roath and Lawrence F. Shay) (Exhibit 10.90 to InterDigital's Quarterly Report on Form 10-Q dated August 9, 2007).
†*10.22	Employment Agreement dated March 14, 2013 between InterDigital and William J. Merritt (Exhibit 10.1 to InterDigital's Current Report on Form 8-K dated March 19, 2013).
†*10.23	Employment Agreement dated March 14, 2013 between InterDigital and Richard Brezski (Exhibit 10.2 to InterDigital's Current Report on Form 8-K dated March 19, 2013).
†*10.24	Employment Agreement dated March 14, 2013 between InterDigital and Scott McQuilkin (Exhibit 10.4 to InterDigital's Current Report on Form 8-K dated March 19, 2013).
†*10.25	Employment Agreement dated March 14, 2013 between InterDigital and James Nolan (Exhibit 10.5 to InterDigital's Current Report on Form 8-K dated March 19, 2013).
†*10.26	Employment Agreement dated March 14, 2013 between InterDigital and Lawrence F. Shay (Exhibit 10.6 to InterDigital's Current Report on Form 8-K dated March 19, 2013).
†*10.27	Employment Agreement dated May 1, 2014 between InterDigital and Byung K. Yi (Exhibit 10.28 to InterDigital's Annual Report on Form 10-K for the year ended December 31, 2015).
	Other Material Contracts
*10.28	Form of Convertible Note Hedge Transaction Confirmation (Exhibit 10.1 to InterDigital's Current Report on Form 8-K dated March 11, 2015).
*10.29	Form of Warrant Transaction Confirmation (Exhibit 10.2 to InterDigital's Current Report on Form 8-K dated March 11, 2015).
21	Subsidiaries of InterDigital.
23.1	Consent of PricewaterhouseCoopers LLP.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.

Exhibit Number	Exhibit Description
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350. +
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350. +
101	The following financial information from InterDigital's Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 23, 2017, formatted in eXtensible Business Reporting Language: (i) Consolidated Balance Sheets at December 31, 2016 and December 31, 2015, (ii) Consolidated Statements of Income for the years ended December 31, 2016, 2015 and 2014, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014, (iv) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2016, 2015 and 2014, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014, and (vi) Notes to Consolidated Financial Statements.

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* Incorporated by reference to the previous filing indicated.

† Management contract or compensatory plan or arrangement.

+ This exhibit will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such exhibit will not be deemed to be incorporated by reference into any filing under the Securities Act or Securities Exchange Act, except to the extent that InterDigital, Inc. specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, INC.

Date: February 23, 2017	By: /s/ William J. Merritt William J. Merritt President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 23, 2017	/s/ S. Douglas Hutcheson S. Douglas Hutcheson, Chairman of the Board of Directors
Date: February 23, 2017	/s/ Jeffrey K. Belk Jeffrey K. Belk, Director
Date: February 23, 2017	/s/ John A. Kritzmacher John A. Kritzmacher, Director
Date: February 23, 2017	/s/ John D. Markley, Jr. John D. Markley, Jr., Director
Date: February 23, 2017	/s/ Kai O. Öistämö Kai O. Öistämö, Director
Date: February 23, 2017	/s/ Jean F. Rankin Jean F. Rankin, Director
Date: February 23, 2017	/s/ Robert S. Roath Robert S. Roath, Director
Date: February 23, 2017	/s/ Philip P. Trahanas Philip P. Trahanas, Director
Date: February 23, 2017	/s/ William J. Merritt William J. Merritt, Director, President and Chief Executive Officer (Principal Executive Officer)
Date: February 23, 2017	/s/ Richard J. Brezski Richard J. Brezski, Chief Financial Officer (Principal Financial Officer)

INTERDIGITAL®

InterDigital, Inc.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held June 14, 2017

TO THE SHAREHOLDERS OF INTERDIGITAL, INC.:

We are pleased to invite you to attend our 2017 annual meeting of shareholders, which will be held on Wednesday, June 14, 2017, at 11:00 AM Eastern Time. This year's annual meeting will be held as a virtual meeting. You will be able to attend and participate in the annual meeting online via a live webcast by visiting IDCC.onlineshareholdermeeting.com. In addition to voting by submitting your proxy prior to the annual meeting, you also will be able to vote your shares electronically during the annual meeting. Further details regarding the virtual meeting are included in the accompanying proxy statement. At the annual meeting, the holders of our outstanding common stock will act on the following matters:

1. Election of the nine director nominees named in the proxy statement, each for a term of one year;
2. Adoption and approval of our 2017 Equity Incentive Plan;
3. Advisory resolution to approve executive compensation;
4. Advisory vote on frequency of future advisory votes on executive compensation;
5. Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2017; and
6. Such other business as may properly come before the annual meeting.

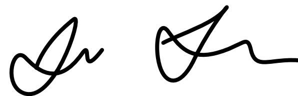
We are pleased to be using the Securities and Exchange Commission rules that allow companies to furnish proxy materials to their shareholders primarily over the Internet. We believe that this process expedites shareholders' receipt of the proxy materials, lowers the costs of the annual meeting and helps to conserve natural resources. We also believe that hosting a virtual meeting will enable participation by more of our shareholders in our annual meeting while lowering the cost of conducting the meeting. On or about April 28, 2017, we began mailing our shareholders a Notice of Internet Availability of Proxy Materials (the "Notice") containing instructions on how to access our 2017 proxy statement and 2016 annual report and how to vote online. The Notice also includes instructions on how to request a paper copy of the proxy materials, including the notice of annual meeting, 2017 proxy statement, 2016 annual report and proxy card.

All holders of record of shares of our common stock (NASDAQ: IDCC) at the close of business on April 12, 2017, are entitled to vote at the annual meeting and at any postponements or adjournments of the annual meeting. Your vote is important. Regardless of whether you plan to attend the annual meeting, please cast your vote as instructed in the Notice as promptly as possible. Alternatively, if you wish to receive paper copies of your proxy materials, including the proxy card, please follow the instructions in the Notice. Once you receive paper copies of your proxy materials, please complete, sign, date and promptly return the proxy card in the postage-prepaid return envelope provided, or follow the instructions set forth on the proxy card to vote your shares over the Internet or by telephone. Your prompt response is necessary to ensure that your shares are represented at the annual meeting. Voting by Internet, telephone or mail will not affect your right to vote at the annual meeting if you decide to attend the virtual meeting through IDCC.onlineshareholdermeeting.com. If you are a shareholder who holds stock in a brokerage account (a "street name" holder), you will receive instructions from the holder of record, which you must follow in order for your shares to be voted. Certain of these institutions offer Internet and telephone voting.

IF YOU PLAN TO ATTEND THE ANNUAL MEETING:

The annual meeting will be held as a virtual meeting and begin promptly at 11:00 AM Eastern Time. In order to attend and participate in the annual meeting, you will need to visit IDCC.onlineshareholdermeeting.com and follow the instructions that are included in the Notice, on your proxy card or in the voting instructions accompanying your proxy materials. You will also need the 16-digit control number provided therein, and, if you have elected to receive electronic delivery of your proxy materials, the four-digit PIN number established at the time of your enrollment. Online check-in will begin at 10:30 AM Eastern Time. Please allow sufficient time to complete the online check-in process.

By Order of the Board of Directors,



JANNIE K. LAU

Executive Vice President, General Counsel and Secretary

April 28, 2017
Wilmington, Delaware

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INTERDIGITAL, INC.
200 Bellevue Parkway, Suite 300
Wilmington, Delaware 19809-3727

PROXY STATEMENT

This proxy statement contains information relating to our annual meeting of shareholders to be held on Wednesday, June 14, 2017, at 11:00 AM Eastern Time, and at any postponements or adjournments of the annual meeting. This year's annual meeting of shareholders will be held as a virtual meeting. You will be able to attend and participate in the annual meeting online via a live webcast by visiting IDCC.onlineshareholdermeeting.com. In addition to voting by submitting your proxy prior to the annual meeting, you also will be able to vote your shares electronically during the annual meeting. Your proxy for the annual meeting is being solicited by our Board of Directors (the "Board").

INTERNET AVAILABILITY OF PROXY MATERIALS

As permitted by Securities and Exchange Commission ("SEC") rules, we are making this proxy statement and our annual report available to our shareholders primarily via the Internet, rather than mailing printed copies of these materials to each shareholder. We believe that this process will expedite shareholders' receipt of the proxy materials, lower the costs of the annual meeting and help to conserve natural resources. On or about April 28, 2017, we began mailing to each shareholder (other than those who previously requested electronic delivery of all materials or previously elected to receive delivery of a paper copy of the proxy materials) a Notice of Internet Availability of Proxy Materials (the "Notice") containing instructions on how to access and review the proxy materials, including our proxy statement and our annual report, on the Internet and how to access an electronic proxy card to vote on the Internet or by telephone. The Notice also contains instructions on how to receive a paper copy of the proxy materials. If you receive a Notice by mail, you will not receive a printed copy of the proxy materials unless you request one. If you receive a Notice by mail and would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held on June 14, 2017: The Notice of Meeting and Proxy Statement and 2016 Annual Report are available at http://ir.interdigital.com/FinancialDocs.

ABOUT THE ANNUAL MEETING AND VOTING

What is the purpose of the annual meeting?

At our annual meeting, shareholders will act upon the matters outlined in the notice of meeting provided with this proxy statement, including: the election of directors, the adoption and approval of our 2017 Equity Incentive Plan, the advisory resolution to approve executive compensation, the advisory vote on the frequency of future advisory votes on executive compensation, the ratification of the appointment of our independent registered public accounting firm, and such other business as may properly come before the annual meeting. In addition, management will report on the performance of the company's business and respond to questions from shareholders.

Who may attend the annual meeting?

You are entitled to participate in the annual meeting only if you were a shareholder of record as of the close of business on April 12, 2017 or if you hold a valid proxy for the annual meeting. As noted above, this year's annual meeting will be held as a virtual meeting that you may attend online via a live webcast by visiting IDCC.onlineshareholdermeeting.com.

In order to attend and participate in the annual meeting, you will need to visit IDCC.onlineshareholdermeeting.com and follow the instructions that are included in the Notice, on your proxy card or in the instructions accompanying your proxy materials. You are required to complete an online check-in process once you have connected to IDCC.onlineshareholdermeeting.com. To complete this process, you will need the 16-digit control number provided on your Notice, your proxy card or the instructions accompanying your proxy materials. In addition, if you previously elected to receive electronic delivery of your proxy materials (i.e., you receive your proxy communications via e-mail), you will need the four-digit PIN number established at the time of your enrollment. Online check-in will begin at 10:30 AM Eastern Time, and the annual meeting will begin promptly at 11:00 AM Eastern Time. Please allow sufficient time to complete the online check-in process.

Instructions on how to attend and participate via the Internet, including how to demonstrate proof of stock ownership and how to obtain any codes you may need, are posted at IDCC.onlineshareholdermeeting.com. In addition, questions regarding how to attend and participate will be answered by calling 855-449-0991 (international: 720-378-5962) beginning at 10:30 AM Eastern Time the day of the meeting.

Who is entitled to vote at the annual meeting?

Only shareholders of record at the close of business on April 12, 2017, the record date, are entitled to receive notice of and to vote at the annual meeting. If you were a shareholder on that date, you will be entitled to vote all of the shares that you held on that date at the annual meeting, or any postponements or adjournments of the annual meeting. There were 34,680,928 shares of our common stock outstanding on the record date.

What are the voting rights of the holders of the company's common stock?

Each share of our common stock outstanding on the record date will be entitled to one vote on each director nominee and one vote on each other matter considered at the annual meeting.

What constitutes a quorum?

A quorum is the minimum number of our shares of common stock that must be represented at a duly called meeting in person, which includes participation by electronic means such as a live webcast, or by proxy in order to conduct business legally at the annual meeting. For the annual meeting, the presence, in person or by proxy, of the holders of a majority of the shares entitled to vote will be considered a quorum. If you are a registered shareholder, voting by Internet or telephone or, if you requested a paper copy of the proxy materials, by mail, or attendance at the annual meeting in person, will cause you to be counted in the determination of a quorum. If you are a street name shareholder, your broker or other nominee will vote your shares pursuant to your instructions, and such shares will count in the determination of a quorum. If you do not provide any specific voting instructions to your broker or other nominee, your shares will still count for purposes of attaining a quorum.

How do I vote?

If you are a registered shareholder, you may vote by Internet or telephone by following the instructions in the Notice. If you requested a paper copy of the proxy materials, you also may submit your proxy by mail by following the instructions included with your proxy card. The deadline for submitting your proxy by Internet or telephone is 11:59 PM Eastern Time on June 13, 2017. The designated proxy will vote according to your instructions. If you attend the live webcast of the annual meeting you also will be able to vote your shares electronically at the meeting up until the time the polls are closed.

If you are a street name holder, your broker or nominee firm is the legal, registered owner of the shares, and it may provide you with a Notice. Follow the instructions on the Notice to access our proxy materials and vote or to request a paper or email copy of our proxy materials. If you receive these materials in paper form, the

materials include a voting instruction card so that you can instruct your broker or nominee how to vote your shares. Please check your Notice or voting instruction card or contact your broker or other nominee to determine whether you will be able to deliver your voting instructions by Internet or telephone in advance of the meeting and whether, if you attend the live webcast of the annual meeting, you will be able to vote your shares electronically at the meeting up until the time the polls are closed.

If you own shares through a retirement or savings plan or other similar plan, you may submit your voting instructions by Internet, telephone or mail by following the instructions included with your voting instruction card. The deadline for submitting your voting instructions by Internet or telephone is 11:59 PM Eastern Time on June 11, 2017. The trustee or administrator of the plan will vote according to your instructions and the rules of the plan.

If you sign and submit your proxy without specifying how you would like your shares voted, your shares will be voted in accordance with the Board's recommendations specified below under "What are the Board's recommendations?" and in accordance with the discretion of the proxy holders with respect to any other matters that may be voted upon at the annual meeting.

Even if you plan to attend the annual meeting, we recommend that you also submit your proxy card or vote by Internet or telephone by the applicable deadline so that your vote will be counted if you later decide not to attend the meeting.

Can I change my vote after I return my proxy or voting instruction card?

If you are a registered shareholder, you may revoke or change your vote at any time before the proxy is voted by filing with our Secretary either a written notice of revocation or a duly executed proxy bearing a later date. If you attend the live webcast of the annual meeting you may revoke your proxy or change your proxy vote by voting electronically at the meeting. Your attendance at the annual meeting will not by itself revoke a previously granted proxy.

If your shares are held in street name or you hold shares through a retirement or savings plan or other similar plan, please check your voting instruction card or contact your broker, nominee, trustee or administrator to determine whether you will be able to revoke or change your vote.

Will my vote be confidential?

It is our policy to maintain the confidentiality of proxy cards, ballots and voting tabulations that identify individual shareholders except as might be necessary to meet any applicable legal requirements and, in the case of any contested proxy solicitation, as might be necessary to allow proper parties to verify proxies presented by any person and the results of the voting.

What are the Board's recommendations?

The Board recommends that you vote:

- ***For*** election of each of the director nominees named in this proxy statement (see Proposal 1);
- ***For*** adoption and approval of our 2017 Equity Incentive Plan (see Proposal 2);
- ***For*** the advisory resolution to approve executive compensation (see Proposal 3);
- ***One Year*** with respect to the frequency of future advisory votes on executive compensation (see Proposal 4); and
- ***For*** ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2017 (see Proposal 5).

What vote is required to approve each proposal?

Election of directors. We have adopted majority voting in uncontested director elections. Accordingly, under our articles of incorporation and bylaws, director nominees must receive the affirmative vote of a majority of the votes cast in order to be elected. A majority of the votes cast means that the number of votes cast "for" a director nominee must exceed the number of votes cast "against" that nominee. Abstentions, while included for purposes of attaining a quorum, will have no effect on the outcome of director elections. Under Pennsylvania law and our articles of incorporation and bylaws, an incumbent director who does not receive the votes required to be re-elected remains in office until his or her successor is elected and qualified, thereby continuing as a "holdover" director. Under the director resignation policy in our corporate governance principles, a director who is not re-elected must tender his or her resignation to the Nominating and Corporate Governance Committee of the Board, which will make a recommendation to the Board as to whether or not the resignation offer should be accepted. In deciding whether to accept the resignation offer, the Board will consider the recommendation of the Nominating and Corporate Governance Committee as well as any additional information and factors that the Board believes to be relevant. The Board will act on the Nominating and Corporate Governance Committee's recommendation within ninety (90) days following certification of the election results.

Adoption and approval of our 2017 Equity Incentive Plan. The affirmative vote of a majority of the votes cast is required for approval. Abstentions, while included for purposes of attaining a quorum, will have no effect on the outcome of the proposal.

Advisory resolution to approve executive compensation. The affirmative vote of a majority of the votes cast is required for approval. Because the vote is advisory, it will not be binding on the Board or the company. Abstentions, while included for purposes of attaining a quorum, will have no effect on the outcome of the proposal.

Advisory vote on frequency of future advisory votes on executive compensation. The frequency option receiving the majority (if any) of the votes cast at the annual meeting with be the frequency that shareholders approve. Because the vote is advisory, it will not be binding on the Board or the company. Abstentions, while included for purposes of attaining a quorum, will have no effect on the outcome of the proposal.

Ratification of the appointment of PricewaterhouseCoopers LLP. The affirmative vote of a majority of the votes cast is required for ratification. Abstentions, while included for purposes of attaining a quorum, will have no effect on the outcome of the proposal. Ratification of the appointment of our independent registered public accounting firm is not legally required; the Board asks shareholders to ratify the appointment as a matter of good corporate governance. If shareholders do not ratify the appointment, the Audit Committee will consider whether it is appropriate to select another independent registered public accounting firm in future years.

What is a "broker non-vote"?

If you hold your shares in street name through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some proposals if you do not provide voting instructions. "Broker non-votes" are shares that a broker or nominee does not vote because it has not received voting instructions and does not have discretionary authority to vote (or does not exercise that authority). For the annual meeting, if you do not provide specific voting instructions, your broker or nominee may not exercise voting discretion with respect to: Proposal 1, the election of directors, Proposal 2, the adoption and approval of our 2017 Equity Incentive Plan, Proposal 3, the approval of the advisory resolution on executive compensation, or Proposal 4, the advisory vote on the frequency of future advisory votes on executive compensation. If you do not provide specific voting instructions, your broker or nominee may exercise voting discretion with respect to Proposal 5, the ratification of the appointment of the company's independent registered public accounting firm. Broker non-votes will be counted for the purposes of calculating whether a quorum is present at the annual meeting. However, broker non-votes will have no effect on the outcome of the vote on Proposal 1, Proposal 2, Proposal 3 or Proposal 4.

GOVERNANCE OF THE COMPANY

Where can I find information about the governance of the company?

The company has adopted corporate governance principles that, along with the charters of each of the Board committees, provide the framework for the governance of the company. The Nominating and Corporate Governance Committee is responsible for annually reviewing the principles and recommending any proposed changes to the Board for approval. A copy of our corporate governance principles is posted on our website at *http://ir.interdigital.com* under the IR menu heading "Corporate Governance," along with the charters of each of our Board committees and other information about our governance practices. We will provide to any person without charge a copy of any of these documents upon written request to our Secretary at our principal executive offices: InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, Delaware 19809-3727.

Code of Ethics

Does the company have a code of ethics?

We have adopted a Code of Ethics that applies to all directors, officers, employees and consultants, including our principal executive, financial and accounting officers or persons performing similar functions. The Code of Ethics is available on the company's website at *http://ir.interdigital.com* under the IR menu heading "Corporate Governance – Governance Documents." We intend to disclose future amendments to certain provisions of the Code of Ethics, or any waiver of such provisions granted to executive officers and directors, on the website within four business days following the date of such amendment or waiver. We will provide to any person without charge a copy of our Code of Ethics upon written request to our Secretary at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, Delaware 19809-3727.

Director Independence

Which directors are considered independent, and how does the Board determine their independence?

Each year, prior to the annual meeting of shareholders, the Board reviews and assesses the independence of its directors and makes a determination as to the independence of each director. During this review, the Board considers transactions and relationships between each director or any member of his or her immediate family and our company and its subsidiaries and affiliates. As a result of this review, the Board affirmatively determined that each of Messrs. Jeffrey K. Belk, S. Douglas Hutcheson, John A. Kritzmacher, John D. Markley, Jr., Kai O. Öistämö and Philip P. Trahanas and Mses. Joan H. Gillman and Jean F. Rankin are "independent" under the rules of the SEC and the listing standards of the NASDAQ Stock Market.

Board Leadership

Who is the Chairman of the Board, and are the positions of Chairman of the Board and Chief Executive Officer separated?

Mr. Hutcheson, who is an independent director, has served as Chairman of the Board since June 2015. The Board has a general policy that the positions of Chairman of the Board and Chief Executive Officer should be held by separate persons as an aid in the Board's oversight of management. This policy is affirmed in the Board's published corporate governance principles, which state that the Chairman of the Board is an independent director. The Board believes that this leadership structure is appropriate for the company at this time because of the advantages to having an independent chairman for matters such as: communications and relations between the Board and the Chief Executive Officer and other senior management; reaching consensus on company strategies and policies; and facilitating robust Board, committee and Chief Executive Officer evaluation processes. The Board periodically reviews its leadership structure to determine whether it is appropriate given the specific characteristics and circumstances of the company.

Board Oversight of Risk

What is the Board's role in risk oversight?

The Board is responsible for overseeing the major risks facing the company and the company's enterprise risk management ("ERM") efforts. The Board has delegated to the Audit Committee primary responsibility for overseeing and monitoring these efforts. Under its charter, the Audit Committee is responsible for discussing with management and the company's independent registered public accounting firm significant risks and exposures relating to the company's quarterly and annual financial statements and assessing management's steps to mitigate them, and for reviewing corporate insurance coverage and other risk management programs. At least quarterly, the Audit Committee receives presentations and reports directly from the company's Executive Vice President, General Counsel and Secretary, who leads the company's day-to-day ERM efforts. The Audit Committee briefs the Board on the company's ERM activities as part of its regular reports to the Board on the activities of the committee, and the Executive Vice President, General Counsel and Secretary also periodically delivers presentations and reports to the full Board as appropriate.

Board Structure and Committee Membership

What is the size of the Board, and how often are directors elected?

The Board currently has ten directors. Concurrent with the retirement of Robert S. Roath at the end of his current term, the size of the Board will be reduced from ten to nine members as of the date of the 2017 annual meeting of shareholders. All directors are subject to election for one-year terms at each annual meeting of shareholders.

How often did the Board meet during 2016?

The Board met six times during 2016. Each director is expected to attend each meeting of the Board and those committees on which he or she serves. Each director attended at least 75% of the aggregate of all Board meetings and meetings of committees on which the director served during 2016. We typically schedule one of the meetings of the Board on the day immediately preceding or following our annual meeting of shareholders, and it is the policy of the Board that directors are expected to attend our annual meeting of shareholders absent unusual circumstances. Eight directors attended the 2016 annual meeting of shareholders, constituting all of our current directors (with the exception of Mr. Markley and Ms. Gillman, who joined the Board in November 2016 and April 2017, respectively).

What are the roles of the primary Board committees?

The Board has standing Audit, Compensation, Nominating and Corporate Governance, and Investment Committees. Each of the Audit, Compensation, and Nominating and Corporate Governance Committees is composed entirely of independent directors, as determined by the Board in accordance with the applicable rules of the SEC and the listing standards of the NASDAQ Stock Market. Each of the Board committees operates under a written charter that has been approved by the Board. The following table provides information about the current membership of the committees and the number of meetings of each committee held in 2016.

Name*	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Investment Committee
Jeffrey K. Belk		X		Chair
S. Douglas Hutcheson		X	Chair	
John A. Kritzmacher	Chair		X	
John D. Markley, Jr.	X			X
Kai O. Öistämö	X			X
Jean F. Rankin		Chair	X	
Robert S. Roath				X
Philip P. Trahanas	X	X		
Number of Meetings in 2016	8	9	5	3

* Ms. Gillman has not yet been appointed to serve on any of the Board committees.

Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities relating to the company's corporate accounting, its financial reporting practices, audits of its financial statements and compliance with applicable requirements regarding the maintenance of accurate books and records. Among other things, the committee:

- Reviews the company's annual and quarterly financial statements and discusses them with management and the company's independent registered public accounting firm;
- Appoints, compensates, retains, evaluates, oversees the work of (including resolution of disagreements between management and the Independent Accountant regarding financial reporting) and, if deemed appropriate, replaces the company's independent registered public accounting firm;
- Receives from the independent registered public accounting firm reports required by applicable SEC rules and professional standards, including reviewing and discussing with the independent registered public accounting firm the matters required to be discussed under Auditing Standard No. 1301, as adopted by the Public Company Accounting Oversight Board and amended from time to time;
- Reviews the adequacy and effectiveness of the company's system of internal control over financial reporting and disclosure controls and procedures;
- Reviews and approves, at least annually, the management, scope, plans, budget, staffing and relevant processes and programs of the company's internal audit function;
- Establishes and oversees procedures for receiving and handling reports of potential misconduct, including violations of law or the company's Code of Ethics and complaints received by the company regarding accounting, internal accounting controls, auditing or federal securities law matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting, auditing or federal securities law matters;

- Oversees the company's other compliance policies and programs, including the implementation and effectiveness of the company's Code of Ethics;
- Oversees and monitors the company's ERM efforts; and
- Reviews and provides guidance to the Board with respect to:
  - Shareholder distributions;
  - The integrity of the company's financial models, as appropriate;
  - Tax planning;
  - Foreign currency management policies;
  - Corporate insurance coverage; and
  - Cash management investment policies.

All of the Audit Committee members are financially literate. The Board has determined that three of the current members of the Audit Committee, Messrs. Kritzmacher, Markley and Trahanas, qualify as "audit committee financial experts" within the meaning of applicable SEC regulations. Mr. Kritzmacher acquired his expertise primarily through his prior and current experience as a chief financial officer of a publicly traded company. Mr. Markley acquired his expertise primarily through his close to 20 years of investment experience, including more than 15 years at a venture capital firm, and Mr. Trahanas acquired his expertise primarily through his more than a decade of experience as an investment leader at a private equity firm. In addition, both Messrs. Markley and Trahanas have extensive experience analyzing and evaluating financial statements of a wide variety of companies with significant focus in technology and related industry investments.

Compensation Committee

The Compensation Committee assists the Board in discharging its responsibilities relating to the compensation of the Chief Executive Officer and other executive officers; develops, reviews and approves the principles guiding the company's compensation policies; oversees the company's compensation-related policies and programs and the level of awards to employees; and assists the Board and the Chairman of the Board in succession planning. Among other things, the committee:

- Reviews and approves the corporate goals and objectives relevant to the compensation of our Chief Executive Officer and other executive officers, evaluates their performance in light of such goals and objectives and, based on its evaluations and appropriate recommendations, reviews and approves the compensation of our Chief Executive Officer and other executive officers, including approving the grant of equity awards, each on an annual basis;
- Assists the Board in developing and evaluating potential candidates for executive positions and oversees and annually reviews the development of executive succession plans;
- Reviews and discusses with management the Compensation Discussion and Analysis required by SEC rules, recommends to the Board whether the Compensation Discussion and Analysis should be included in the company's annual report and proxy statement and oversees the preparation of the Compensation Committee report required by SEC rules for inclusion in the company's annual report and proxy statement;
- Assesses the results of the company's most recent advisory vote on executive compensation, and considers and recommends to the Board the frequency of the company's advisory vote on executive compensation;
- Reviews periodically compensation for non-employee directors of the company and recommends changes to the Board as appropriate;

- Reviews and approves compensation packages for new executive officers and severance packages for executive officers whose employment terminates with the company;
- Reviews and makes recommendations to the Board with respect to the adoption or amendment of incentive and other equity-based compensation plans;
- Administers the company's equity incentive plans;
- Reviews periodically, revises as appropriate and monitors compliance by directors and executive officers with the company's stock ownership guidelines;
- Reviews and considers compensation policies and/or practices as they relate to risk management practices and/or incentives that enhance risk-taking, as the committee determines to be appropriate; and
- Is directly responsible for the appointment, compensation and oversight of the work of any consultants and other advisors retained by the committee, and assesses the independence of any consultants and other advisors (whether retained by the committee or management) that provide advice to the committee in accordance with the listing standards of the NASDAQ Stock Market and applicable law.

The Compensation Committee may delegate authority to the committee chair or a sub-committee, as the committee may deem appropriate, subject to such ratification by the committee as the committee may direct. The Compensation Committee also may delegate to one or more officers of the company the authority to make grants of stock options or other supplemental awards at specified levels, under specified circumstances, to eligible employees who are not executive officers of the company, subject to reporting to and such ratification by the committee as the committee may direct.

Compensation Committee Interlocks and Insider Participation

Messrs. Belk, Hutcheson and Trahanas and Ms. Rankin served on the Compensation Committee during all or part of 2016. No director serving on the Compensation Committee during any part of 2016 was, at any time either during or before such fiscal year, an officer or employee of the company or any of its subsidiaries. In addition, none of our executive officers has served as a member of a board of directors or a compensation committee, or other committee serving an equivalent function, of any other entity, one of whose executive officers served as a member of the company's Board or Compensation Committee.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee assists the Board in identifying qualified individuals to become Board and committee members, considers matters of corporate governance and assists the Board in evaluating the Board's effectiveness. Among other things, the committee:

- Develops and recommends to the Board criteria for Board membership (including issues of character, integrity, judgement, diversity, independence, skills, education, business acumen, business experience, understanding of the company's business and the like);
- Identifies, reviews the qualifications of and recruits candidates for election to the Board and to fill vacancies or new positions on the Board;
- Assesses the contributions of incumbent directors in determining whether to recommend them for re-election to the Board;
- Reviews candidates recommended by the company's shareholders for election to the Board;
- Assesses the independence of directors, director nominees and director candidates under applicable standards, including any heightened independence requirements applicable to Audit and Compensation Committee members, and recommends independence determinations to the Board;
- Reviews annually our corporate governance principles and recommends changes to the Board as appropriate;

- Recommends to the Board, after consultation with the Audit Committee, changes to our Code of Ethics;
- Assists the Board in ensuring proper attention and effective response to shareholder concerns regarding corporate governance;
- Reviews and makes recommendations to the Board with respect to the Board's and each committee's size, structure, composition and functions;
- Oversees the process for evaluating the Board and its committees; and
- Periodically reviews the Board's leadership structure and recommends changes to the Board as appropriate.

The committee will consider director candidates recommended by our shareholders. Shareholders recommending candidates for consideration by the Nominating and Corporate Governance Committee should send their recommendations to our Secretary at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, Delaware 19809-3727. The recommendation must include the candidate's name, biographical data and qualifications and a written statement from the candidate of his or her consent to be named as a candidate and, if nominated and elected, to serve as a director. The committee may ask candidates for additional information as part of the process of assessing a shareholder-recommended director candidate. The committee evaluates director candidates recommended by shareholders based on the same criteria used to evaluate candidates from other sources.

While the Board has not established a formal policy for considering diversity when evaluating director candidates, among the criteria the Board may consider are experience and diversity. As described in our corporate governance principles, with respect to diversity, the Nominating and Corporate Governance Committee may consider such factors as gender, race, ethnicity, differences of perspective, professional background, experience at policy-making levels in business, finance and technology and other areas, education, skill and other individual qualities and attributes that are relevant to the company's global activities and contribute to Board heterogeneity. The selection criteria for director candidates also include the following:

- Each director should be an individual of the highest personal and professional ethics, integrity and values.
- Each director should be committed to representing the long-term interests of the company's shareholders and demonstrate a commitment to long-term service on the Board.
- Each director should have an inquisitive and objective perspective, practical wisdom and mature judgment.

The Nominating and Corporate Governance Committee periodically evaluates the composition of the Board to assess the skills and experience that are currently represented on the Board, as well as the skills and experience that the Board will find valuable in the future. This evaluation of the Board's composition enables the Board to update the skills and experience it seeks in the Board as a whole, and in individual directors, as the company's needs evolve and change over time and to assess the effectiveness of efforts at pursuing diversity. See "Proposals to be Voted On – Election of Directors (Proposal 1)" for a summary of the qualifications, experience and other relevant attributes of the directors nominated for election at this year's annual meeting.

In recruiting the directors who joined the Board in 2016 and 2017, the Nominating and Corporate Governance Committee retained The Lapham Group, Inc. to help identify director prospects, perform candidate outreach, assist in reference checks, and provide other related services. The recruiting process typically involves either the search firm or a member of the Nominating and Corporate Governance Committee contacting a prospect to gauge his or her interest and availability. A candidate will then meet with several members of the Board, including Mr. Merritt. At the same time, the Nominating and Corporate Governance Committee or other Board members, as appropriate, and the search firm will contact references for the prospect. A background check is completed before the Board approves any final recommendation from the committee to appoint a candidate to the Board.

Investment Committee

The primary role of the Investment Committee is to monitor, and provide guidance to the company's management team and recommend actions to the Board with respect to, certain investment and divestment activities of the company and funding for certain affiliated entities of the company. Among its specific duties and responsibilities, the committee:

- Approves minority investments in other companies by the company;
- Approves divestments of minority equity interests in other companies by the company; and
- Approves the establishment of non-core operating businesses as entities partially owned by the company, including approval of contributions to such entities and the ownership structure of such entities.

The committee may delegate authority to the committee chair or a sub-committee, as the committee may deem appropriate, subject to such ratification by the committee as the committee may direct.

Communications with the Board

How can shareholders communicate with the Board?

Shareholders and other parties interested in communicating directly with any individual director, including the Chairman, the Board as a whole or the non-employee directors as a group may do so by writing to Investor Relations, InterDigital, Inc., 9710 Scranton Road, Suite 250, San Diego, California 92121, or by sending an email to *Directors@InterDigital.com*. Our Investor Relations department reviews all such correspondence and, in consultation with appropriate directors and/or the company's Legal department as necessary, generally screens communications from shareholders to identify communications that (i) are solicitations for products and services, (ii) relate to matters of a personal nature not relevant for the company's shareholders to act on or for the Board to consider or (iii) matters that are of a type that render them improper or irrelevant to the functioning of the Board or the company. The Investor Relations department regularly forwards to the Board or specified director(s) a summary of all such correspondence and copies of all correspondence that deals with the functions of the Board or its committees or that otherwise requires their attention. Directors may, at any time, review a log of all correspondence we receive that is addressed to members of the Board and request copies of any such correspondence.

Communications about Accounting Matters

How can individuals report concerns relating to accounting, internal control, auditing or federal securities law matters?

Concerns relating to accounting, internal control, auditing or federal securities law matters may be submitted by writing to our Secretary at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, Delaware 19809-3727. All correspondence will be brought to the attention of the chair of the Audit Committee and handled in accordance with procedures established by the Audit Committee with respect to these matters.

DIRECTOR COMPENSATION

How are directors compensated?

For Board participation during 2016, our non-employee directors were compensated as follows:

Role	Annual Cash Retainer ($)
Board member	40,000
Chairman of the Board*	50,000
Chair of Audit Committee	30,000
Other Audit Committee members	12,000
Chair of Compensation Committee	20,000
Other Compensation Committee members	10,000
Chair of Nominating & Corporate Governance Committee	15,000
Other Nominating & Corporate Governance Committee members	7,500
Chair of Investment Committee	15,000
Other Investment Committee members	7,500

* The annual cash retainer paid to the Chairman of the Board is in addition to the annual cash retainer paid to all Board members.

All cash retainers are generally paid quarterly in arrears and based upon service for a full year, and prorated payments are made for service of less than a full year.

The compensation program is designed to compensate each non-employee director for participating in up to eight Board meetings per year and up to eight meetings per year for each committee on which the non-employee director serves. Additional compensation is paid to each non-employee director for participating in meetings during the Board term (which runs from annual meeting date to annual meeting date) in excess of these thresholds, as follows: $4,000 for each additional Board meeting and $1,000 for each additional committee meeting.

In addition, non-employee directors are paid a per diem fee of $1,000 for attendance at or participation in events, conferences or meetings, in their capacity as a director, at the request of InterDigital, Inc. senior management, provided that such attendance or participation requires a significant time commitment and would be considered outside of the director's typical Board and/or committee duties. Any per diem fee payments are subject to the approval of the Compensation Committee.

For his or her service during the 2016-2017 Board term, each non-employee director received a restricted stock unit ("RSU") award in an amount equal in value to $150,000 that vests in full one year from the grant date. Upon his or her initial appointment to the Board, new directors receive a pro-rated RSU award for his or her partial service during the then current Board term, as well as an initial appointment award of RSUs in an amount equal in value to $150,000 that vests in full one year from the grant date. For RSU awards granted to directors in 2016, the number of RSUs granted was calculated using the 30-day historical average of the company's closing stock price. RSU awards may be deferred. Except in certain limited circumstances, an election to defer must be made in the calendar year preceding the year during which services are rendered and the compensation is earned. Unvested time-based RSUs and deferred RSUs accrue dividend equivalents, which are paid in the form of additional shares of stock at the time, and only to the extent, that the awards vest or at the end of the deferral period, as applicable.

To align the interests of non-employee directors and executives with those of our shareholders, the company has adopted stock ownership guidelines. The stock ownership guidelines applicable to the non-employee directors are set at a target of the lesser of (a) company stock valued at an amount equal to five times their annual

cash retainer of $40,000 or (b) 4,000 shares/units of the company's stock. Qualifying stock includes: shares of common stock, restricted stock and, on a pre-tax basis, unvested time-based RSUs. For purposes of calculating the value of company stock holdings, each share or other qualifying stock unit is priced at a price per share/unit equal to the average closing stock price of the company's common stock for the 200 trading days leading up to and including the calculation date. The 200-day average closing stock price is calculated annually on the date of the company's annual meeting of shareholders. Any director who has not reached or fails to maintain the target ownership level must retain at least 50% of any after-tax shares derived from vested RSUs or exercised options until the target ownership level is met. A director may not make any disposition of shares that results in his or her holdings falling below the target ownership level without the express approval of the Compensation Committee. As of April 1, 2017, all of the non-employee directors except Mr. Markley and Ms. Gillman (who joined the Board in November 2016 and April 2017, respectively) had reached their target ownership levels.

The company's directors are also eligible to participate in the company's nonqualified deferred compensation plan by deferring receipt of their annual Board fees. None of the directors elected to defer any of their 2016 Board fees. For more information about the deferred compensation plan, see "Executive Compensation – Nonqualified Deferred Compensation."

2016 Director Compensation Table

The following table sets forth the compensation paid to each person who served as a director of the company in 2016 for their service in 2016. Directors who also serve as employees of the company do not receive any additional compensation for their services as a director. For Mr. Merritt's 2016 compensation, see "Executive Compensation – Summary Compensation Table."

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Total ($)
Jeffrey K. Belk	69,375	157,827	227,202
S. Douglas Hutcheson	113,125	157,827	270,952
John A. Kritzmacher	79,375	157,827	237,202
John D. Markley, Jr.	7,690	214,849	222,539
Kai O. Öistämö	60,750	157,827	218,577
Jean F. Rankin	68,625	157,827	226,452
Robert S. Roath	48,750	157,827	206,577
Philip P. Trahanas	52,092	355,137	407,229

(1) Amounts reported represent the aggregate annual Board, Chairman of the Board, committee chair and committee membership retainers earned by each non-employee director in 2016, plus any fees earned for attendance at additional meetings during the Board term, as described above. No such additional fees were earned for the 2015-2016 Board term.

(2) Amounts shown reflect the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718 for RSU awards granted pursuant to our compensation program for non-management directors in 2016. The assumptions used in valuing these RSU awards are incorporated by reference to Notes 2 and 10 to our audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2016. The following table sets forth the grant date fair value of each RSU award granted to our non-employee directors in 2016.

Name	Grant Date	Number of Restricted Stock Units (#)	Grant Date Fair Value of Stock Awards ($)
Jeffrey K. Belk	6/8/2016	2,653	157,827
S. Douglas Hutcheson	6/8/2016	2,653	157,827
John A. Kritzmacher	6/8/2016	2,653	157,827
John D. Markley, Jr.	11/3/2016	1,945	134,497
	11/3/2016	1,162	80,352
Kai O. Öistämö	6/8/2016	2,653	157,827
Jean F. Rankin	6/8/2016	2,653	157,827
Robert S. Roath	6/8/2016	2,653	157,827
Philip P. Trahanas	2/1/2016	3,256	145,250
	2/1/2016	1,167	52,060
	6/8/2016	2,653	157,827

As of December 31, 2016, each person who served as a non-employee director of the company in 2016 had the following aggregate amounts of unvested RSU awards (including accrued dividend equivalents) outstanding. None of our directors had any options outstanding as of December 31, 2016. This table does not include RSUs that, as of December 31, 2016, had vested according to their vesting schedule, but had been deferred.

Name	Outstanding Restricted Stock Units (#)
Jeffrey K. Belk	2,671
S. Douglas Hutcheson	2,671
John A. Kritzmacher	2,671
John D. Markley, Jr.	3,107
Kai O. Öistämö	2,671
Jean F. Rankin	2,671
Robert S. Roath	2,671
Philip P. Trahanas	5,962

PROPOSALS TO BE VOTED ON

Election of Directors
(Proposal 1)

Description

Which directors are nominated for election?

Messrs. Jeffrey K. Belk, S. Douglas Hutcheson, John A. Kritzmacher, John D. Markley, Jr., William J. Merritt, Kai O. Öistämö and Philip P. Trahanas and Mses. Joan H. Gillman and Jean F. Rankin are recommended by the Nominating and Corporate Governance Committee and nominated by the Board for election at the 2017 annual meeting, each to serve a one-year term until our annual meeting in 2018 and until his or her successor is elected and qualified. Ms. Gillman and Mr. Markley are standing for election to the Board for the first time. Both were identified as director candidates by an executive search firm retained by the company in 2016 to identify potential director candidates.

Mr. Robert S. Roath is retiring upon the expiration of his current term and is not standing for re-election at the 2017 annual meeting. As a result, as of the date of the 2017 annual meeting, the size of the Board will be reduced from ten to nine members.

Set forth below is biographical information about the nine nominees, each of whose current terms of office expire at the 2017 annual meeting, and other information about the skills and qualifications of our directors that contribute to the effectiveness of the Board.

What are their backgrounds?

Jeffrey K. Belk, 54, has been a director of the company since March 2010. Since 2008, he has been the Managing Director of ICT Capital, LLC, DBA Forecast Ventures since 2017, focused on developing and investing in select global growth opportunities in the information and communications technologies space. In 2014, he founded Velocity Growth, a social customer relationship management and services company where he serves as Executive Chairman. Formerly, Mr. Belk spent almost 14 years at Qualcomm Incorporated ("Qualcomm"), a developer and provider of digital wireless communications products and services, where, from 2006 until his departure in early 2008, he was Qualcomm's Senior Vice President of Strategy and Market Development, focused on examining changes in the wireless ecosystem and formulating approaches to help accelerate mobile broadband adoption and growth. From 2000 through 2006, Mr. Belk served as Qualcomm's Senior Vice President, Global Marketing, leading a team responsible for all facets of Qualcomm's corporate messaging, communications and marketing worldwide. He also served on the board of directors of Peregrine Semiconductor Corp. from 2008 until it was acquired by Murata Corporation in 2014. The Board has concluded that Mr. Belk should serve as a director of the company because his extensive industry-specific experience in strategy and marketing makes him a valuable resource and provides him with unique insights on the challenges and opportunities facing the company in the wireless markets.

Joan H. Gillman, 53, has been a director of the company since April 2017. From 2006 to 2016, Ms. Gillman served as Executive Vice President of Time Warner Cable, Inc. ("Time Warner Cable"), as well as Chief Operating Officer of Time Warner Cable Media and President of Time Warner Cable Media, LLC. Ms. Gillman joined Time Warner Cable as Vice President of Interactive TV and Advanced Advertising in 2005. Prior to Time Warner Cable, among other roles, she served as the President of Static2358, the interactive TV, games and production subsidiary of OpenTV, and as Director, Business Development, of British Interactive Broadcasting, the digital and interactive TV joint venture between BSkyB, BT, HSBC and Matsushita. Ms. Gillman began her career working in public affairs, serving in various roles for a U.S. Senator, including as Legislative Director and State Director. Since October 2016, Ms. Gillman has also been a member of the board of directors of Centrica plc, an international energy and services company based in the United Kingdom. In addition, since November

2016, she has served on the board of directors of Airgain, Inc., a leading provider of embedded antenna technologies used to enable high performance wireless networking, and she is currently a member such board's audit, compensation, and nominating and corporate governance committees. The Board has concluded that Ms. Gillman should serve as a director of the company because her more than 20 years of executive experience in the media and communications industries and her knowledge of content development and distribution as well as key areas like partnership, M&A and marketing make her a valuable resource and strengthen the company's knowledge of the companies and industries shaping its existing and future markets.

S. Douglas Hutcheson, 61, has been a director of the company since July 2014. Mr. Hutcheson is CEO and a director of Laser, Inc., a corporation created in connection with the acquisition of Leap Wireless International, Inc. ("Leap Wireless"), a wireless communications carrier, by AT&T in March 2014. Since January 2015, Mr. Hutcheson has also served as a senior advisor of Technology, Media and Telecom (TMT) for Searchlight Capital, a global private investment firm. Prior to March 2014, Mr. Hutcheson served as CEO of Leap Wireless and its operating subsidiary, Cricket Communications, for nine years, where he was responsible for developing and implementing strategy, all operations, and the oversight of all relationships and partnerships. Before serving as CEO, Mr. Hutcheson held other executive positions at Leap Wireless, including President and Chief Financial Officer. Prior to joining Leap Wireless, he was Vice President of Marketing in the wireless infrastructure division at Qualcomm for three years, where he led multiple teams. Since 2012, Mr. Hutcheson has also served on the board of directors of Pitney Bowes Inc., and currently serves on the audit and finance committees of such board. He previously served on the board of directors of Leap Wireless from 2005 to 2014. The Board has concluded that Mr. Hutcheson should serve as a director of the company because, with his significant operational and financial expertise as an experienced former chief executive officer of a wireless communications company and his broad business background, which includes strategic planning and product and business development and marketing, he brings valuable insight that is needed to evolve and execute the company's strategy.

John A. Kritzmacher, 56, has been a director of the company since June 2009. Since 2013, Mr. Kritzmacher has served as Executive Vice President and Chief Financial Officer of John Wiley & Sons, Inc., a global provider of knowledge and knowledge-based services in the areas of research, professional development and education. From October 2012 through February 2013, Mr. Kritzmacher served as Senior Vice President Business Operations and Organizational Planning at WebMD Health Corp., a leading provider of health information services, where Mr. Kritzmacher was responsible for leading a major restructuring initiative. Previously, Mr. Kritzmacher served as Executive Vice President and Chief Financial Officer of Global Crossing Limited ("Global Crossing"), a global provider of IP-based telecommunications solutions, from October 2008 to October 2011, when Global Crossing was acquired by Level 3 Communications, Inc. Prior to that, Mr. Kritzmacher rose through a variety of positions with increasing responsibility, including Senior Vice President and Corporate Controller, during his 10 years at Lucent Technologies Inc. ("Lucent"), a provider of telecommunications systems and services, to become Chief Financial Officer in 2006. After playing a leading role in the planning and execution of Lucent's merger with Alcatel in 2006, Mr. Kritzmacher became Chief Operating Officer of the Services Business Group at Alcatel-Lucent until joining Global Crossing in 2008. Mr. Kritzmacher also served on the board of directors of Duff & Phelps Corporation from 2011 until it was acquired by a private equity consortium in 2013. The Board has concluded that Mr. Kritzmacher should serve as a director of the company because he is a veteran of the telecommunications and high technology industries with extensive operational and leadership experience and financial expertise. As such, Mr. Kritzmacher contributes valuable advice and guidance, especially with respect to complex financial and accounting issues, and qualifies as an audit committee financial expert.

John D. Markley, Jr., 51, has been a director of the company since November 2016. Since 2014, Mr. Markley has served as Managing Partner and Co-Founder of New Amsterdam Growth Capital, a growth equity firm focused on the cloud computing, mobile and communications infrastructure sectors. In addition, since 2009, he has been a Managing Member of Bear Creek Capital Management, an investor in communications, media and technology companies. From 1996 to 2009, he was a partner with Columbia Capital, a venture capital firm, where he served in a number of capacities including partner, venture partner and portfolio company

executive. Prior to Columbia Capital, Mr. Markley served as a policy advisor at the Federal Communications Commission from 1994 to 1996, where he and his team were instrumental in developing and launching the commercial spectrum auction process. Mr. Markley has served on the board of directors of BroadSoft, Inc., since 2002, and has served as its Chairman since 2013 and is currently serving as a member of its compensation committee. He has also been a director of Charter Communications, Inc., since 2009, currently serving as chair of its nominating and corporate governance committee and as a member of its audit committee. He previously served on the board of directors of Millennial Media, Inc., from 2006 to 2014. The Board has concluded that Mr. Markley should serve as a director of the company based on his private equity and operating experience and his extensive experience with communications, media and technology companies, which allow him to contribute guidance and advice relating to the development and execution of the company's strategy and analysis of potential business opportunities. He also qualifies as an audit committee financial expert.

William J. Merritt, 58, has been a director of the company since May 2005. He has also served as President and Chief Executive Officer of the company since May 2005, and prior to that served as the company's General Patent Counsel for four years. Since 2014, Mr. Merritt has been a member of the board of directors of privately owned Shared Spectrum Company, a leading innovator of dynamic spectrum access and wireless spectrum intelligence technology. The Board has concluded that Mr. Merritt should serve as a director of the company because, in his current and former roles, Mr. Merritt has played a vital role in managing the company's intellectual property assets and overseeing the growth of its patent licensing business. He also possesses tremendous knowledge about the company from short- and long-term strategic perspectives and from a day-to-day operational perspective and serves as a conduit between the Board and management while overseeing management's efforts to realize the Board's strategic goals.

Kai O. Öistämö, 52, has been a director of the company since November 2014. Since September 2016, Mr. Öistämö has been an Executive Partner at Siris Capital, a private equity firm; he initially joined Siris Capital in October 2015 as an advisor. Mr. Öistämö led corporate strategy and business development at Nokia Corporation ("Nokia"), a leader in the fields of network infrastructure, location-based technologies and advanced technologies and a wireless handset manufacturer, as Executive Vice President, Chief Development Officer from 2010 until his departure in 2014, with responsibility for strategic partnerships and alliances. Previous roles during his 23-year tenure at Nokia included the position of Executive Vice President, Devices, from 2008 to 2010. Mr. Öistämö was also a member of the Nokia leadership team from 2005 to 2014. Mr. Öistämö serves on the board of directors of two Finnish public companies: Sanoma Corporation since 2011 and Digia Plc since March 2015. The Board has concluded that Mr. Öistämö should serve as a director of the company because his extensive global experience in the wireless communications industry and executive leadership and corporate strategy background serve as a great asset to the company and the Board and enable him to contribute guidance and advice relating to the development and execution of the company's strategy and the assessment of the challenges and opportunities facing the company.

Jean F. Rankin, 58, has been a director of the company since June 2010. Ms. Rankin served as Executive Vice President, General Counsel and Secretary at LSI Corporation ("LSI"), a leading provider of innovative silicon, systems and software technologies for the global storage and networking markets, from 2007 to May 2014, when LSI was acquired by Avago Technologies Limited ("Avago"). In this role, she served LSI and its board of directors as Corporate Secretary, in addition to managing the company's legal, intellectual property licensing and stock administration organizations. Ms. Rankin joined LSI in 2007 as part of the merger with Agere Systems Inc. ("Agere"), where she served as Executive Vice President, General Counsel and Secretary from 2000 to 2007. Prior to joining Agere in 2000, Ms. Rankin was responsible for corporate governance and corporate center legal support at Lucent, including mergers and acquisitions, securities laws, labor and employment, public relations, ERISA, investor relations and treasury. She also supervised legal support for Lucent's microelectronics business. The Board has concluded that Ms. Rankin should serve as a director of the company because she has extensive experience and expertise in matters involving intellectual property licensing, the company's core business, and her current and former roles as chief legal officer and corporate secretary at other publicly traded companies enable her to contribute legal expertise and advice as to best practices in corporate governance.

Philip P. Trahanas, 46, has been a director of the company since February 2016. Until the end of 2014, Mr. Trahanas was a Managing Director at General Atlantic LLC, a leading global private equity firm with significant focus in technology and related industry investments. At General Atlantic, he served as a senior investment leader, and sat on the boards of directors of a range of public and private portfolio companies. Prior to joining General Atlantic in 2000, Mr. Trahanas worked in the mergers and acquisitions team at Morgan Stanley for four years. He began his career as an electrical engineer with General Electric, where he specialized in communications equipment and semiconductor design. Mr. Trahanas has been a member of the board of directors of QTS Realty Trust, Inc. since 2009, and currently serves as its lead director and as a member of its compensation committee. The Board has concluded that Mr. Trahanas should serve as a director of the company because his extensive operating, investment banking and private equity experience allow him to contribute guidance and advice relating to the development and execution of the company's strategy and analysis of potential business opportunities. He also qualifies as an audit committee financial expert.

Summary of Director Qualifications, Experience and Other Relevant Attributes

The following table summarizes the key qualifications, skills, and attributes most relevant to the decision to nominate the above-listed candidates to serve on the Board. A mark indicates a specific area of focus or expertise on which the Board relies most. The lack of a mark does not necessarily mean the director does not possess that qualification or skill. Each director biography above describes each director's qualifications and relevant experience in more detail.

Experience, expertise or attribute	Belk	Gillman	Hutcheson	Kritzmacher	Markley	Merritt	Öistämö	Rankin	Trahanas
High tech roadmap	•	•	•	•	•	•	•	•	•
IPR/IP licensing / patent acquisitions						•	•	•	
Wireless equipment	•		•	•	•	•	•	•	•
Wireless services and OTT		•	•				•		
CEO (current/former)			•			•			
Finance / audit			•	•	•				•
Corporate strategy	•	•	•		•	•	•		•
High tech investment	•		•		•		•		•
Marketing	•		•						
Operations		•	•	•	•	•	•		•
Public company board service and governance	•	•	•	•	•	•	•	•	•
Ethnic, gender, national or other diversity		•					•	•	

Vote Required and Board Recommendation

Director nominees receiving the affirmative vote of the majority of votes cast for him or her will be elected to serve as directors for the next year and until his or her successor is elected and qualified. A majority of the votes cast means that the number of votes cast "for" a director nominee must exceed the number of votes cast "against" that nominee.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE *FOR* EACH OF THE NOMINEES.

Adoption and Approval of the Company’s 2017 Equity Incentive Plan (Proposal 2)

Overview

On April 18, 2017, the Board unanimously adopted and approved the company’s 2017 Equity Incentive Plan (the “2017 Plan”), and is submitting the 2017 Plan to shareholders for their adoption and approval at our 2017 annual meeting of shareholders. The Board believes the 2017 Plan advances the company’s interests by allowing the company to attract and retain the best available personnel; to provide additional incentive to employees, directors, and consultants; and to promote the success of our business. The Board has adopted and approved the 2017 Plan to permit the company to continue to use stock-based compensation to align shareholder and participant interests and to motivate participants providing services to the company. The company’s stock-based compensation program is currently operated under the company’s 2009 Stock Incentive Plan (the “2009 Plan”). Upon approval of the 2017 Plan by shareholders, the 2009 Plan will be terminated and no new awards will be granted under the 2009 Plan after the date of the 2017 annual meeting of shareholders.

Why You Should Vote For the 2017 Plan

The 2017 Plan Will Allow Us to Effectively Recruit and Retain Key Talent

The Board recommends that the company’s shareholders approve the 2017 Plan because it believes the company’s ability to grant equity-based awards continues to be crucial in allowing the company to effectively compete for and appropriately motivate and reward key talent. It is in the long-term interest of both the company and its shareholders to strengthen the company’s ability to attract, retain and motivate employees, officers, nonemployee directors and certain other service providers and to provide additional incentive for those persons through stock ownership and other incentives to improve financial performance, increase profits and strengthen the mutuality of interest between those persons and the company’s shareholders.

If the company’s shareholders approve the 2017 Plan, we will be eligible to grant equity awards under the 2017 Plan that qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), as further described below. In addition, the 2017 Plan sets reasonable annual limits on the awards that non-employee directors may receive, clarifies the annual limits on the awards that employees and consultants may receive, and updates our stock-based compensation program to reflect the current best practices in corporate governance, as further described below.

A Reasonable Number of Shares Will Be Reserved Under the 2017 Plan

Our shareholders are being asked to approve for issuance under the 2017 Plan a total number of shares of our common stock (“Shares”) equal to 2,400,000 Shares plus any Shares covered by outstanding equity awards granted under the 2009 Plan that are added to the 2017 Plan (as described in the summary of the 2017 Plan below). We expect that this number of Shares will be enough to allow us to continue granting equity-based compensation at appropriate levels for the next three years. The Compensation Committee and the Board considered the following factors in determining the number of Shares to reserve for issuance under the 2017 Plan:

- *Historical Grant Practices.* The Compensation Committee and the Board considered the number of equity awards that we granted in the last three fiscal years. In fiscal years 2014, 2015, and 2016, we granted equity awards covering 953,649, 458,386, and 564,201 Shares, respectively, for a total of approximately 1,976,000 Shares over that three-year period. In each of the preceding Share amounts, performance-based restricted stock unit awards are counted as 200% of the target award, representing the maximum payout possible under such awards. In addition, the company granted a large number of equity awards in first quarter 2017 (including the company’s annual grants to executives and other employees participating in the company’s stock-based compensation program), which represents a substantial portion of the equity awards that the company expects to grant in 2017. The Compensation Committee and the Board also considered the number of Shares covered by these equity awards.

- *Forecasted Grants.* The Compensation Committee and the Board reviewed a forecast that projected the rate at which Shares will be issued under the 2017 Plan by considering the following factors: (i) the Shares available for issuance under the 2017 Plan, including the estimated number of Shares to be added to the 2017 Plan from 2009 Plan awards, and (ii) forecasted future grants. Since we determine the size of equity awards to be granted based on the competitive dollar value to be delivered to participants, our actual Share usage could be substantially different from our forecasted Share usage if our stock price on the date the award is granted is significantly different from the stock price assumed in the forecast (which was $84). For example, if our stock price on the date the award is granted is lower than the stock price assumed in the forecast (which was $84), we would need a larger number of Shares than the number projected by the forecast in order to deliver the same value to participants.
- *Number of Shares Remaining under the 2009 Plan.* If the 2017 Plan is approved, the 2009 Plan will be terminated and all Shares then remaining available for grant under the 2009 Plan will be cancelled; such Shares will not be added to the 2017 Plan. The 2009 Plan will, however, continue to govern outstanding awards granted thereunder. As of April 1, 2017, the remaining number of Shares available under the 2009 Plan was 1,184,659 Shares plus any Shares subject to outstanding equity awards granted under the 2009 Plan that would return to the 2009 Plan under the 2009 Plan's terms. As of the same date, the total number of Shares covered by outstanding equity awards under the 2009 Plan was 1,460,461 Shares, which consisted of (i) 425,566 Shares subject to outstanding options (with a weighted average exercise price of $47.68 and a weighted average remaining life of 4.8 years) and (ii) 1,034,895 Shares subject to outstanding awards of restricted stock units (including dividend equivalents credited), with performance-based restricted stock unit awards counted as 200% of the target award. The Shares remaining available for issuance under the 2009 Plan as of the effective date of the 2017 Plan will not be added to the 2017 Plan. In addition, as of April 1, 2017, we had 112,982 Shares subject to outstanding options under a prior equity plan. Our total outstanding options of 538,548 as of such date had a weighted average exercise price of $39.69 and a weighted average remaining life of 9.3 years.
- *Overhang.* As of April 1, 2017, we had 34,680,928 total Shares outstanding. As of the same date, 1,460,461 Shares were subject to outstanding equity awards under the 2009 Plan, and 112,982 Shares were subject to outstanding option awards under a prior equity plan. As stated above, Shares remaining available for issuance under the 2009 Plan as of the effective date of the 2017 Plan will not be added to the 2017 Plan. If the company's shareholders approve the 2017 Plan, the total Shares that may be issued under the 2017 Plan, outstanding equity awards under the 2009 Plan, and outstanding option awards under the prior equity plan would represent approximately 11.5% of the company's total outstanding Shares as of April 1, 2017.
- *Proxy Advisory Firm Guidelines.* In light of our significant institutional shareholder base, the Compensation Committee and the Board considered proxy advisory firm guidelines.

Section 162(m) of the Code

Section 162(m) of the Code ("Section 162(m)") generally limits to $1 million the amount that we are allowed each year to deduct for the compensation paid to our chief executive officer and other "covered employees," as determined under Section 162(m) and applicable guidance. However, "performance-based compensation" is excluded from this deductibility limit.

The 2017 Plan clarifies the limits on the size or value of awards that may be granted under the 2017 Plan to employees in a single year, as further described below. Setting such limits for employees will allow us to grant equity awards under the 2017 Plan that qualify as fully deductible performance-based compensation under Section 162(m). Shareholder approval of the 2017 Plan will also be approval of these limits, the eligibility requirements for participation in the 2017 Plan, the performance measures upon which specific performance goals for certain awards would be based, and the other material terms necessary to grant awards under the 2017 Plan that qualify as performance-based compensation under Section 162(m).

We are not, however, required to structure equity award grants to qualify as performance-based compensation under Section 162(m), and the 2017 Plan gives the company the flexibility to grant equity awards that do not qualify as performance-based compensation under Section 162(m).

Promotion of Good Corporate Governance Practices

The Board believes the use of stock-based incentive awards promotes best practices in corporate governance by maximizing shareholder value. By providing participants in the 2017 Plan with a stake in the company's success, the interests of the participants are aligned with those of the company's shareholders. Specific features of the 2017 Plan that are consistent with good corporate governance practices include, but are not limited to:

- *No Annual Evergreen.* The 2017 Plan does not contain an annual "evergreen" provision that automatically increases the number of Shares available for issuance each year. As a result, any future increases to the number of Shares reserved for issuance under the 2017 Plan will require shareholder approval.
- *Administration.* The 2017 Plan will be administered by the Compensation Committee, which consists entirely of independent non-employee directors.
- *Certain Shares Will Not Be Returned to the Share Reserve.* Shares used to pay the exercise price of an award or to satisfy the tax withholding obligations for awards will not become available for future issuance under the 2017 Plan.
- *Repricing or Exchange Programs are Not Allowed.* The 2017 Plan does not permit outstanding awards to be repriced or exchanged for other awards.
- *Annual Limits on Compensation to Non-Employee Directors.* The 2017 Plan sets reasonable annual limits as to the cash compensation and awards that non-employee directors may receive during each fiscal year.
- *Limited transferability.* Awards under the 2017 Plan generally may not be sold, assigned, transferred, pledged, or otherwise encumbered, unless otherwise approved by the administrator.
- *No Dividends Paid Until Awards Vest.* The 2017 Plan permits dividends or dividend equivalents to be accrued on any unvested portion of an award, but such amounts will not be paid until that portion of the award vests.
- *No Tax Gross-ups.* The 2017 Plan does not provide for any tax gross-ups.
- *Forfeiture Events.* Each award under the 2017 Plan will be subject to any clawback policy we have already adopted or any clawback policy that, in the future, we are required by applicable stock exchange rules or applicable laws to adopt (including any such clawback policy that is adopted after the grant of the award), and the administrator may require a participant to forfeit, return, or reimburse us for all or a portion of the award and any amounts paid under the award in order to comply with the clawback policy or applicable laws.

Our executive officers and directors have an interest in the approval of the 2017 Plan because they are eligible to receive equity awards under the 2017 Plan.

Plan Summary

The following paragraphs summarize the key features of the 2017 Plan and its operation. However, this summary is not a complete description of all of the provisions of the 2017 Plan and is qualified in its entirety by the specific language of the 2017 Plan. A copy of the 2017 Plan is provided as Appendix A to this proxy statement.

Purposes of the 2017 Plan

The purposes of the 2017 Plan are to attract and retain the best available personnel; to provide additional incentive to employees, directors, and consultants; and to promote the success of our business. These incentives are provided through the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares, incentive cash bonuses, and other stock or cash awards as the administrator (as defined below) may determine.

Shares Available for Issuance

Subject to the adjustment provisions contained in the 2017 Plan, our shareholders are being asked to approve a number of Shares for issuance under the 2017 Plan equal to the sum of (i) 2,400,000 Shares, and (ii) any Shares subject to awards granted under the 2009 Plan that, on or after the date the 2017 Plan is approved by our shareholders, expire or otherwise terminate without having been exercised in full, or that are forfeited to or repurchased by us, with the maximum number of Shares to be added to the 2017 Plan from awards granted under the 2009 Plan equal to 1,460,461 Shares. Shares used to pay the exercise price of an award under the 2009 Plan or to satisfy the tax withholding obligations related to an award under the 2009 Plan will not be added to the 2017 Plan. The Shares may be authorized, but unissued, or reacquired common stock. If the 2017 Plan is approved, the 2009 Plan will be terminated and all Shares then remaining available for grant under the 2009 Plan will be cancelled; such Shares will not be added to the 2017 Plan. The 2009 Plan will, however, continue to govern outstanding awards granted thereunder.

If any award granted under the 2017 Plan expires or becomes unexercisable without having been exercised in full or any award of restricted stock, restricted stock units, performance units, or performance shares granted under the 2017 Plan is forfeited to, or repurchased by, us due to failure to vest, then the expired, unexercised, forfeited, or repurchased Shares that were subject to such award will become available for future grant or sale under the 2017 Plan (unless the 2017 Plan has terminated). With respect to the exercise of stock appreciation rights, the gross Shares issued pursuant to a stock appreciation right will cease to be available under the 2017 Plan. Shares used to pay the exercise price of an award or to satisfy the tax withholding obligations related to an award will not become available for future grant or sale under the 2017 Plan. If an award is paid out in cash rather than Shares, such payment will not reduce the number of Shares available for issuance under the 2017 Plan.

Limitation

The 2017 Plan contains annual grant limits that apply while we are a public company and subject to the deduction limitations in Section 162(m). These limits are intended to satisfy Section 162(m). Specifically, the maximum number of Shares covered by or the maximum initial value of awards that can be issued to any particular employee or consultant under the 2017 Plan in any fiscal year is set forth below:

Award Type	Annual Limit on Number of Shares or Dollar Value
Stock Options	Maximum of 300,000 Shares (plus an additional 300,000 Shares in connection with the participant's initial service as an employee)
Stock Appreciation Rights	Maximum of 300,000 Shares (plus an additional 300,000 Shares in connection with the participant's initial service as an employee)
Restricted Stock	Maximum of 300,000 Shares (plus an additional 300,000 Shares in connection with the participant's initial service as an employee)
Restricted Stock Units	Maximum of 300,000 Shares (plus an additional 300,000 Shares in connection with the participant's initial service as an employee)
Performance Shares	Maximum of 300,000 Shares (plus an additional 300,000 Shares in connection with the participant's initial service as an employee)
Performance Units	Maximum initial value of $3,000,000 (plus an additional $3,000,000 in connection with the participant's initial service as an employee)
Incentive Cash Bonuses	Maximum value of $3,000,000 (plus an additional $3,000,000 in connection with the participant's initial service as an employee)

The 2017 Plan also provides that in any fiscal year, a non-employee Board member may not be paid cash compensation and granted awards with an aggregate value (determined in accordance with United States generally accepted accounting principles ("GAAP")) exceeding $1,000,000 (increased to $2,000,000 in the fiscal year his or her service as a non-employee director begins). Any cash compensation paid or award granted to a participant while he or she was an employee or a consultant (other than as a non-employee director) will not count for purposes of this limitation.

In the event of any extraordinary dividend or other extraordinary distribution (whether in cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of ours, issuance of warrants or other rights to acquire our securities, other change in our corporate structure affecting the Shares, or any similar equity restructuring transaction, as that term is used in FASB ASC Topic 718 (or any of its successors), affecting the Shares (including, without limitation, a change in control, as defined in the 2017 Plan), the administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the 2017 Plan, will adjust the number and class of shares that may be delivered under the 2017 Plan, and/or the number, class and price of shares of stock subject to outstanding awards, and the numerical Share limits discussed above.

Administration

The Board has delegated administration of the 2017 Plan to the Compensation Committee. The Board and the Compensation Committee may further delegate administration of the 2017 Plan to any committee of the Board, or a committee of individuals satisfying applicable laws appointed by the Board in accordance with the terms of the 2017 Plan. The administrator may delegate to one or more officers the authority to grant awards to employees of ours, or any subsidiary of ours, who are not officers under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), subject to certain limitations in the 2017 Plan. For purposes of this summary of the 2017 Plan, the term "administrator" will refer to the Board or any committee designated by the Board to administer the 2017 Plan. To make grants to certain officers and key employees, the members of the committee must qualify as "non-employee directors" under Rule 16b-3 of the Exchange Act. In the case of awards intended to qualify as "performance-based compensation" under Section 162(m), the award must be granted and administered by a committee consisting solely of two or more "outside directors" within the meaning of Section 162(m).

Subject to the terms of the 2017 Plan, the administrator has the sole discretion to determine fair market value, to select the service providers who will receive awards, to determine the terms and conditions of awards, to approve forms of award agreements for use with the 2017 Plan, to modify or amend each award (subject to the repricing restrictions of the 2017 Plan), and to interpret the provisions of the 2017 Plan and outstanding awards. The administrator also may create, amend, and rescind rules and regulations relating to the 2017 Plan and sub-plans established for the purpose of satisfying applicable foreign laws, determine whether awards will be adjusted for dividend equivalents, allow a participant to defer the receipt of payment of cash or delivery of Shares that otherwise would be due to such participant, and make all other determinations deemed necessary or advisable for administering the 2017 Plan. The administrator will issue all awards pursuant to the terms and conditions of the 2017 Plan.

The administrator may not implement a program allowing for the cancellation of awards in exchange for different awards and/or cash, the transfer of an outstanding award to a financial institution or other person or entity selected by the administrator, or the increase or reduction of the exercise price of any outstanding award.

Eligibility

All types of awards may be granted to our employees, consultants, and non-employee directors and to employees and consultants of any parent, subsidiary, or affiliate of ours.

Incentive stock options may be granted only to employees of ours or any parent or subsidiary corporation of ours. As of March 1, 2017, we had approximately 360 employees (including 1 employee director) and 8 non-employee directors. In addition, as of the same date, 3 consultants were eligible to receive equity-based awards.

Stock Options

An option gives a participant the right to purchase a specified number of Shares for a fixed exercise price during a specified period of time. Each option granted under the 2017 Plan will be evidenced by an award agreement specifying the number of Shares subject to the option, the exercise price and the other terms and conditions of the option, consistent with the requirements of the 2017 Plan.

The exercise price per Share of each option generally may not be less than the fair market value of a Share on the date of grant. However, any incentive stock option granted to a person who at the time of grant owns stock possessing more than 10% of the total combined voting power of all classes of our stock or stock of any parent or subsidiary corporation of ours (a "ten percent shareholder") must have an exercise price per Share equal to at least 110% of the fair market value of a Share on the date of grant. The aggregate fair market value of the shares (determined on the grant date) covered by incentive stock options that first become exercisable by a participant during any calendar year may not exceed $100,000. The fair market value of the common stock is generally the closing sales price of our stock as reported on the NASDAQ Global Select Market.

Options will be exercisable at such times or under such conditions as determined by the administrator and set forth in the award agreement. Upon the termination of a participant's service, the unvested portion of the participant's option generally expires. The vested portion of the option will remain exercisable for the period following the participant's termination of service that is set forth in the award agreement. This period generally will be: (i) 6 months following a termination of the participant's service for reasons other than "cause," as defined in the applicable award agreement, death or disability (and if the participant dies within the 6-month period, the period will be extended to one year from the date of the participant's death) or (ii) 12 months following a termination of the participant's service due to death or disability. However, if the exercise of an option is prevented by applicable law, the exercise period may be extended under certain circumstances described in the participant's award agreement. In the event the participant's service is terminated for cause, the entire option, whether or not then vested and exercisable, will be immediately forfeited and cancelled as of the date of such termination. In no event will the option be exercisable after the end of the option's term.

The award agreements for options generally will also provide that if a participant experiences a qualifying termination of employment, a pro-rata portion (based on the participant's length of service) of his or her option will vest, subject to the participant's execution of a release of claims in our favor, unless such termination is due to the participant's death or disability.

The term of an option will be specified in the award agreement but may not be more than ten years (or five years for an incentive stock option granted to a ten percent shareholder). The 2017 Plan provides that the administrator will determine the acceptable form(s) of consideration for exercising an option. An option will be deemed exercised when we receive the notice of exercise and full payment for the Shares to be exercised, together with applicable tax withholdings.

Stock Appreciation Rights

A stock appreciation right gives a participant the right to receive the appreciation in the fair market value of our common stock between the date an award is granted and the date it is exercised. Upon exercise of a stock appreciation right, the holder of the award will be entitled to receive an amount determined by multiplying: (i) the difference between the fair market value of a Share on the date of exercise and the exercise price by (ii) the number of exercised stock appreciation rights. We may pay the appreciation in cash, in Shares, or a

combination of both. Each stock appreciation right granted under the 2017 Plan will be evidenced by an award agreement specifying the exercise price and the other terms and conditions of the award.

The exercise price per Share of each stock appreciation right may not be less than the fair market value of a Share on the date of grant. Stock appreciation rights will be exercisable at such times or under such conditions as determined by the administrator and set forth in the award agreement. The term of a stock appreciation right may not be more than ten years. Upon the termination of a participant's service, the unvested portion of the participant's stock appreciation right generally expires. The vested portion of the stock appreciation right will remain exercisable for the period following the participant's termination of service that is set forth in the award agreement.

Restricted Stock Awards

Awards of restricted stock are rights to acquire or purchase Shares that vest in accordance with the terms and conditions established by the administrator in its sole discretion. Unless otherwise provided by the administrator, a participant will forfeit any Shares of restricted stock that have not vested by the termination of the participant's service. Each restricted stock award granted will be evidenced by an award agreement specifying the number of Shares subject to the award and the other terms and conditions of the award. The administrator will determine the vesting conditions that apply to an award of restricted stock, but if an award of restricted stock is intended to qualify as performance-based compensation under Section 162(m), the vesting conditions will be based on a specified list of performance goals and certain other requirements, as further discussed below.

Unless the administrator provides otherwise, participants holding Shares of restricted stock will have voting rights and rights to dividends and other distributions with respect to such Shares without regard to vesting. However, such dividends or other distributions will be subject to the same restrictions and forfeitability provisions that apply to the Shares of restricted stock with respect to which they were paid, and the company will hold such dividends and distributions until the restrictions on the Shares of restricted stock with respect to which they were paid have lapsed. The administrator has the discretion to reduce or waive any restrictions and to accelerate the time at which any restrictions will lapse or be removed.

Restricted Stock Units

A restricted stock unit represents a right to receive cash or a Share if the performance goals or other vesting criteria set by the administrator are achieved or the restricted stock unit otherwise vests. Each award of restricted stock units granted under the 2017 Plan will be evidenced by an award agreement specifying the number of Shares subject to the award and other terms and conditions of the award.

The administrator may set vesting conditions based upon the achievement of company-wide, regional, department, business unit, business segment, affiliate, or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws, or any other basis determined by the administrator, in its discretion. However, if an award of restricted stock units is intended to qualify as performance-based compensation under Section 162(m), the vesting conditions will be based on a specified list of performance goals and certain other requirements, as further discussed below.

After an award of restricted stock units has been granted, the administrator has the discretion to reduce or waive any restrictions or vesting criteria that must be met to receive a payout or to accelerate the time at which any restrictions will lapse or be removed. A participant will generally forfeit any unearned restricted stock units upon termination of his or her service. The administrator in its sole discretion may pay earned restricted stock units in cash, Shares, or a combination of both.

The award agreements for restricted stock units generally will also provide that if a participant experiences a qualifying termination of employment, a pro-rata portion (based on the participant's length of service and, in the

case of performance-based restricted stock units, the actual level of achievement of the applicable performance goals) of his or her award will become vested, subject to the participant's execution of a release of claims in our favor, unless such termination is due to the participant's death or disability.

Performance Units and Performance Shares

Performance units and performance shares are awards that will result in a payment to a participant only if performance goals established by the administrator are achieved or the awards otherwise vest. Performance units will have an initial value established by the administrator on or before the date of grant. Each performance share will have an initial value equal to the fair market value of a Share on the grant date. Performance units and performance shares will result in a payment to a participant only if the performance goals or other vesting criteria set by the administrator are achieved or the awards otherwise vest.

Each award of performance units or performance shares granted under the 2017 Plan will be evidenced by an award agreement specifying the performance period and other terms and conditions of the award. The administrator may set vesting criteria based upon the achievement of company-wide, regional, department, business unit, business segment, affiliate, or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws, or any other basis determined by the administrator, in its discretion. However, if an award of performance shares or performance units is intended to qualify as performance-based compensation under Section 162(m), the vesting conditions will be based on a specified list of performance goals and certain other requirements, as further discussed below.

After an award of performance units or performance shares has been granted, the administrator has the discretion to accelerate, reduce, or waive any performance objectives or other vesting provisions for such performance units or performance shares, but may not increase the amount payable at a given level of performance.

The administrator has the discretion to pay earned performance units or performance shares in the form of cash, Shares (which will have an aggregate fair market value equal to the earned performance units or performance shares at the close of the applicable performance period), or a combination of both.

A participant will generally forfeit any performance units or performance shares that have not been earned or have not vested as of the termination of his or her service with us.

Incentive Cash Bonuses

Incentive cash bonuses give participants an opportunity to earn a future payment tied to the level of achievement with respect to one or more performance criteria established for a performance period specified by the administrator. The administrator will determine the terms and conditions of each incentive cash bonus.

The administrator may set vesting criteria based upon the achievement of company-wide, regional, department, business unit, business segment, affiliate, or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws, or any other basis determined by the administrator, in its discretion. However, if any portion of an incentive cash bonus is intended to qualify as performance-based compensation under Section 162(m), the vesting conditions for such portion of the incentive cash bonus will be based on a specified list of performance goals and certain other requirements, as further discussed below.

After an incentive cash bonus has been granted, the administrator has the discretion to reduce or waive any restrictions for such incentive cash bonus, but may not increase the amount payable at a given level of performance.

A participant will generally forfeit all incentive cash bonuses that have not been earned or have not vested as of the termination of his or her service with us.

Performance Goals

The granting and/or vesting of awards of restricted stock, restricted stock units, performance shares, performance units, incentive cash bonuses, and other incentives under the 2017 Plan may be made subject to the attainment of performance goals relating to one or more business criteria within the meaning of Section 162(m) and may provide for a targeted level or levels of achievement, including: stock price; revenue; profit; bookings; cash flow; customer retention; customer satisfaction; net bookings; net income or net income per Share, diluted or basic; net profit; operating cash flow; operating expenses; total earnings; earnings per share; diluted or basic; earnings per share from continuing operations, diluted or basic; earnings before or after interest and taxes; earnings before or after taxes; earnings before or after interest, taxes, depreciation, amortization, and/or extraordinary or special items; pre-tax profit; net asset turnover; inventory turnover; capital expenditures; interest expense after taxes; net earnings; operating earnings; gross or operating margin; profit margin; debt; working capital; return on equity; return on net assets; return on total assets; return on capital; return on investment; cash flow return on investment (discounted or otherwise); return on sales; net or gross sales; market share; economic value added or created; cost of capital; cash flow in excess of cost of capital; change in assets; free cash flow; average cash balance or cash position; expense reduction levels; debt reduction; productivity; new product introductions; delivery performance; individual objectives; total shareholder return; and 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, cost target, customer satisfaction, employee satisfaction, management of employment practices and employee benefits, supervision of litigation and information technology goals, and goals relating to acquisitions or divestitures of subsidiaries, affiliates, or joint ventures. Any performance goals may be used to measure our performance as a whole or, except with respect to shareholder return metrics, of a region, business unit, affiliate, or business segment of ours, and performance goals may be measured either on an absolute basis, a per share basis or relative to a pre-established target, to a previous period's results or to a designated comparison group, and, with respect to financial metrics, which may be determined in accordance with GAAP, in accordance with accounting principles established by the International Accounting Standards Board ("IASB") or which may be adjusted when established to either exclude any items otherwise includable under GAAP or under IASB principles or include any items otherwise excludable under GAAP or under IASB principles. In all other respects, performance goals will be calculated in accordance with the company's financial statements, generally accepted accounting principles, or under a methodology established by the administrator prior to or at the time of the issuance of an award and which is consistently applied with respect to a performance goal in the relevant performance period. In addition, the administrator will adjust any performance criteria, performance goal, or other feature of an award that relates to or is wholly or partially based on the number of, or the value of, any stock of ours, to reflect any stock dividend or split, repurchase, recapitalization, combination, or exchange of shares or other similar changes in such stock. The performance goals may differ from participant to participant and from award to award.

To the extent necessary to comply with the performance-based compensation provisions of Section 162(m), with respect to any award granted subject to such performance goals, within the first 25% of the performance period and no more than 90 days following the commencement of the performance period (or such other time required or permitted by Section 162(m)), the administrator will take action to: (i) designate one or more participants to whom an award will be made; (ii) select the performance goals applicable to the performance period; (iii) establish the performance goals and maximum amounts of the awards that may be earned for the performance period; and (iv) specify the relationship between performance goals and the amounts of such awards, as applicable, to be earned by each participant for such performance period. Following the completion of each performance period, the administrator will certify in writing whether the applicable performance goals have been achieved for such performance period. In determining the amounts earned by a participant, the administrator may reduce or eliminate (but not increase) the amount payable at a given level of performance to take into account additional factors that the administrator may deem relevant to the assessment of individual or

corporate performance for the performance period. A participant will be eligible to receive payment pursuant to an award for a performance period only if the performance goals for such period are achieved.

Transferability of Awards

Unless the administrator provides otherwise, awards under the 2017 Plan generally are not transferable other than by will or by the laws of descent or distribution.

Dissolution or Liquidation

In the event of a proposed dissolution or liquidation of our company, the administrator will notify each participant as soon as practicable prior to the effective date of such proposed transaction. An award will terminate immediately prior to consummation of such proposed action to the extent the award has not been previously exercised.

Merger or Change in Control

In the event of a merger of our company or a change in control, as defined in the 2017 Plan, each award will be treated as the administrator determines, including that each award will be assumed or substantially equivalent awards substituted by the acquiring or succeeding corporation or its affiliate. The administrator will not be required to treat all outstanding awards the same in the transaction.

If the successor corporation does not assume or substitute for the award, the participant will fully vest in and have the right to exercise all of his or her outstanding options and stock appreciation rights, and all restrictions on restricted stock and restricted stock units will lapse. With respect to awards with performance-based vesting that are not assumed or substituted for, all performance goals or other vesting criteria will be deemed achieved at target levels, and all other terms and conditions will be deemed met. In addition, if an option or stock appreciation right is not assumed or substituted for, the administrator will notify the participant in writing or electronically that the option or stock appreciation right will be exercisable for a period of time determined by the administrator, in its sole discretion, and the option or stock appreciation right will terminate upon the expiration of such period. The award agreements for options and restricted stock units generally will also provide that if the award is assumed or substituted for and the participant experiences a qualifying termination of employment within 1 year following a change in control, the award will become fully vested, subject to the participant's execution of a release of claims in our favor.

For awards granted to our non-employee directors, in the event of a change in control, then (i) the non-employee director will fully vest in and have the right to exercise all of his or her outstanding options and stock appreciation rights, (ii) all restrictions on the non-employee director's restricted stock and restricted stock units will lapse, and (iii) with respect to the non-employee director's awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at target levels (prorated based on the portion of the performance period that elapsed as of immediately prior to the transaction) and all other terms and conditions will be deemed met.

Forfeiture and Clawback

Each award under the 2017 Plan will be subject to recoupment under our current clawback policy or any clawback policy that, in the future, we are required by applicable stock exchange rules or applicable laws to adopt (including any such clawback policy that is adopted after the grant of the award), and the administrator also may impose such other clawback, recovery, or recoupment provisions in an award agreement as the administrator determines necessary or appropriate.

Termination or Amendment

Our ability to grant incentive stock options under the 2017 Plan will expire in 2027. The 2017 Plan will not expire until terminated by the Board or the Compensation Committee, which have the authority to amend, suspend, or terminate the 2017 Plan. However, such action cannot materially impair the existing rights of any participant without his or her written consent, subject to certain exceptions in accordance with the terms of the 2017 Plan. We will obtain shareholder approval of any amendment to the 2017 Plan to the extent such approval is necessary or desirable to comply with applicable laws.

Summary of U.S. Federal Income Tax Consequences

The following summary is intended only as a general guide to the U.S. federal income tax consequences of participation in the 2017 Plan. The summary is based on existing U.S. laws and regulations as of the record date, and there can be no assurance that those laws and regulations will not change in the future. The summary does not purport to be complete and does not discuss the tax consequences upon a participant's death, or the provisions of the income tax laws of any municipality, state or foreign country in which the participant may reside. As a result, tax consequences for any particular participant may vary based on individual circumstances.

Incentive Stock Options

A participant recognizes no taxable income for federal income tax purposes as a result of the grant or exercise of an option that qualifies as incentive stock option under Section 422 of the Code. If a participant exercises the option and then later sells or otherwise disposes of the Shares acquired through the exercise the option after both the two-year anniversary of the date the option was granted and the one-year anniversary of the exercise, the participant will recognize a capital gain or loss equal to the difference between the sale price of the Shares and the exercise price, and we will not be entitled to any deduction for federal income tax purposes.

However, if the participant disposes of such Shares either on or before the two-year anniversary of the date of grant or on or before the one-year anniversary of the date of exercise (a "disqualifying disposition"), any gain up to the excess of the fair market value of the Shares on the date of exercise over the exercise price generally will be taxed as ordinary income, unless the Shares are disposed of in a transaction in which the participant would not recognize a loss (such as a gift). Any gain in excess of that amount will be a capital gain. If a loss is recognized, there will be no ordinary income, and such loss will be a capital loss. Any ordinary income recognized by the participant upon the disqualifying disposition of the Shares generally should be deductible by the company for federal income tax purposes, except to the extent such deduction is limited by applicable provisions of the Code.

For purposes of the alternative minimum tax, the difference between the option exercise price and the fair market value of the Shares on the exercise date is treated as an adjustment item in computing the participant's alternative minimum taxable income in the year of exercise. In addition, special alternative minimum tax rules may apply to certain subsequent disqualifying dispositions of the Shares or provide certain basis adjustments or tax credits for alternative minimum tax purposes.

Nonstatutory Stock Options

A participant generally recognizes no taxable income as the result of the grant of such an option. However, upon exercising the option, the participant normally recognizes ordinary income equal to the amount that the fair market value of the Shares on such date exceeds the exercise price. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of the Shares acquired by the exercise of a nonstatutory stock option, any gain or loss (based on the difference between the sale price and the fair market value on the exercise date) will be taxed as capital gain or loss. No tax deduction is available to the company with respect to the grant of a nonstatutory stock option or the sale of the Shares acquired through the exercise of the nonstatutory stock option.

Stock Appreciation Rights

In general, no taxable income is reportable when a stock appreciation right is granted to a participant. Upon exercise, the participant generally will recognize ordinary income in an amount equal to the fair market value of any Shares received. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Any additional gain or loss recognized upon any later disposition of the Shares would be capital gain or loss.

Restricted Stock Awards

A participant acquiring Shares of restricted stock generally will recognize ordinary income equal to the fair market value of the Shares on the vesting date. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. The participant may elect pursuant to Section 83(b) of the Code to accelerate the ordinary income tax event to the date of acquisition by filing an election with the Internal Revenue Service no later than thirty days after the date the Shares are acquired. Upon the sale of Shares acquired pursuant to a restricted stock award, any gain or loss, based on the difference between the sale price and the fair market value on the date the ordinary income tax event occurs, will be taxed as capital gain or loss.

Restricted Stock Unit Awards

There are no immediate tax consequences of receiving an award of restricted stock units. A participant who is awarded restricted stock units generally will be required to recognize ordinary income in an amount equal to the fair market value of the Shares issued to and/or the cash received by such participant at the end of the applicable vesting period or, if later, the settlement date elected by the administrator or a participant. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Any additional gain or loss recognized upon any later disposition of any Shares received would be capital gain or loss.

Performance Shares and Performance Unit Awards

A participant generally will recognize no income upon the grant of a performance share or a performance unit award. Upon the settlement of such awards, participants normally will recognize ordinary income in the year of receipt in an amount equal to the cash received and the fair market value of any unrestricted Shares received. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of any Shares received, any gain or loss, based on the difference between the sale price and the fair market value on the date the ordinary income tax event occurs, will be taxed as capital gain or loss.

Incentive Cash Bonuses

There are no immediate tax consequences of receiving an incentive cash bonus award. A participant who is awarded an incentive cash bonus generally will be required to recognize ordinary income in an amount equal to the cash received by such participant at the end of the applicable vesting period or, if later, the settlement date determined by the administrator. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes.

Section 409A of the Code

Section 409A of the Code ("Section 409A") provides certain requirements for non-qualified deferred compensation arrangements with respect to an individual's deferral and distribution elections and permissible distribution events. Awards granted under the 2017 Plan with a deferral feature will be subject to the requirements of Section 409A. If an award is subject to and fails to satisfy the requirements of Section 409A, the

recipient of that award may recognize ordinary income on the amounts deferred under the award, to the extent vested, which may be prior to when the compensation is actually or constructively received. Also, if an award that is subject to Section 409A fails to comply with Section 409A's provisions, Section 409A imposes an additional 20% federal income tax on compensation recognized as ordinary income, as well as interest on such deferred compensation.

Company Deduction and Section 162(m)

We generally will be entitled to a tax deduction in connection with an award under the 2017 Plan in an amount equal to the ordinary income realized by a participant and at the time the participant recognizes such income (for example, the exercise of a nonstatutory stock option) except to the extent such deduction is limited by applicable provisions of the Code. Special rules limit the deductibility of compensation paid to our chief executive officer and other "covered employees" as determined under Section 162(m) and applicable guidance. Under Section 162(m), the annual compensation paid to any of these specified executives will be deductible only to the extent that it does not exceed $1,000,000. However, we can preserve the deductibility of certain compensation in excess of $1,000,000 if the conditions of Section 162(m) are met. These conditions include (among others) shareholder approval of the 2017 Plan and its material terms, setting limits on the number of awards that any individual may receive and for awards other than certain stock options and stock appreciation rights, and establishing performance criteria that must be met before the award actually will vest or be paid. The 2017 Plan has been designed to permit (but not require) the administrator to grant awards that are intended to qualify as performance-based compensation for purposes of satisfying the conditions of Section 162(m).

THE DESCRIPTION ABOVE IS ONLY A SUMMARY OF THE EFFECT OF U.S. FEDERAL INCOME TAXATION ON PARTICIPANTS AND THE COMPANY WITH RESPECT TO AWARDS UNDER THE 2017 PLAN. IT IS NOT COMPLETE AND DOES NOT DISCUSS THE IMPACT OF EMPLOYMENT OR OTHER TAX REQUIREMENTS, THE TAX CONSEQUENCES OF A PARTICIPANT'S DEATH, OR THE PROVISIONS OF THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE, OR FOREIGN COUNTRY IN WHICH THE PARTICIPANT MAY RESIDE.

New Plan Benefits

The number of awards that an employee, director, or consultant may receive under the 2017 Plan is in the discretion of the administrator and therefore cannot be determined in advance. The following table sets forth: (i) the aggregate number of Shares subject to options granted under the 2009 Plan during fiscal year 2016 to each of our named executive officers; executive officers, as a group; directors who are not executive officers, as a group; and all employees who are not executive officers, as a group; (ii) the average per Share exercise price of such options; (iii) the aggregate number of Shares subject to restricted stock units (including performance-based restricted stock units at target levels) granted under the 2009 Plan during fiscal year 2016 to each of our named executive officers; executive officers, as a group; directors who are not executive officers, as a group; and all employees who are not executive officers, as a group; and (iv) the grant-date value of Shares subject to such restricted stock units.

	Number of Shares Subject to Options Granted	Average Per Share Exercise Price of Option Grants	Number of Shares Subject to Restricted Stock Units Granted	Dollar Value of Options and Restricted Stock Units Granted(1)
William J. Merritt President and Chief Executive Officer	27,540	$54.93	28,238	$ 772,806
Richard J. Brezski Chief Financial Officer and Treasurer	12,518	$54.93	9,627	$ 351,270
Scott A. McQuilkin Senior EVP, Innovation	19,671	$54.93	15,128	$ 552,012
James J. Nolan EVP, IoT Solutions	13,413	$54.93	10,314	$ 376,349
Lawrence F. Shay Senior EVP, Future Wireless, and Chief Intellectual Property Counsel	19,671	$54.93	15,128	$ 552,012
Executive officers as a group	105,331	$54.93	88,062	$ 2,955,720
Non-executive director group	—	—	26,101	$ 1,516,948
Non-executive officer employee group	15,201	$54.93	202,789	$10,373,065

(1) Reflects the aggregate grant date fair value of awards computed in accordance with FASB ASC Topic 718. Amounts reported for performance-based restricted stock units are based upon the probable outcome of the performance conditions, consistent with the estimate of aggregate compensation cost to be recognized over the service period determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures. As of the date of grant, the probable outcome of the performance condition for the 2016-2018 cycle did not meet the threshold for recording compensation cost, and, as a result, the grant date value of the performance-based restricted stock units was $0. Accordingly, there is no value reported in the table above for the performance-based restricted stock units granted in 2016. Assuming that the target performance level is achieved, the aggregate grant date fair value of the performance-based restricted stock units granted in 2016 to our executive officers as a group and to our non-executive officer employee group is $3,354,026 and $3,281,029, respectively.

Vote Required and Board Recommendation

The affirmative vote of a majority of the votes cast is required for the adoption and approval of the company's 2017 Equity Incentive Plan.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* ADOPTION AND APPROVAL OF THE COMPANY'S 2017 EQUITY INCENTIVE PLAN.

Advisory Resolution to Approve Executive Compensation
(Proposal 3)

Description

We are asking shareholders to vote on an advisory resolution to approve the company's executive compensation as reported in this proxy statement. As described below in the "Compensation Discussion and Analysis" section of this proxy statement, the Compensation Committee has structured our executive compensation program to align management's interests with those of its shareholders and to attract, retain and motivate talented individuals who will drive the successful execution of the company's strategic plan. We motivate our executives primarily by "paying for performance," or rewarding the accomplishment of individual performance and corporate goals through the use of performance-based compensation. As discussed in "Compensation Discussion and Analysis," the achievement of financial and strategic corporate goals, as well as departmental and individual performance, determine the short-term and long-term incentive compensation paid to our executives. Our executive compensation programs have a number of features designed to promote these objectives.

We urge shareholders to read the "Compensation Discussion and Analysis" below, which describes how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives, as well as the Summary Compensation Table and other related compensation tables and narrative below, which provide detailed information on the compensation of our named executive officers. The Compensation Committee and the Board believe that the policies and procedures articulated in the "Compensation Discussion and Analysis" are effective in achieving our goals and that the compensation of our named executive officers reported in this proxy statement reflects and supports these compensation policies and procedures.

The Board has adopted a policy providing for an annual advisory resolution to approve executive compensation. In accordance with Section 14A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as a matter of good corporate governance, we are asking shareholders to approve the following advisory resolution at the 2017 annual meeting of shareholders:

> **RESOLVED**, that the shareholders of InterDigital, Inc. (the "company") approve, on an advisory basis, the compensation of the company's named executive officers disclosed in the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables, notes and narrative in the proxy statement for the company's 2017 annual meeting of shareholders.

This advisory resolution, commonly referred to as a "say on pay" resolution, is non-binding on the Board. Although non-binding, the Board and the Compensation Committee will review and consider the voting results when making future decisions regarding our executive compensation program. Unless the Board modifies its policy on the frequency of future "say on pay" votes, the next "say on pay" vote will be held at the 2018 annual meeting of shareholders.

Vote Required and Board Recommendation

The affirmative vote of the majority of votes cast is required to approve this advisory resolution.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE *FOR* THE ADVISORY RESOLUTION TO APPROVE EXECUTIVE COMPENSATION.

Advisory Vote on Frequency of Future Advisory Votes on Executive Compensation (Proposal 4)

Description

Pursuant to Section 14A of the Exchange Act, we are asking shareholders to vote, on an advisory basis, on whether future advisory votes on executive compensation of the nature reflected in proposal 3 above should occur every year, every two years or every three years.

When we first asked shareholders to vote on the frequency of advisory votes on executive compensation in 2011, the majority of the votes cast were for an advisory vote every year, and our Board subsequently determined it would hold an advisory vote on executive compensation every year until the next advisory vote on frequency.

After careful consideration, the Board has determined that holding an advisory vote on executive compensation every year remains the most appropriate policy for the company at this time and recommends that shareholders vote for future advisory votes on executive compensation to occur every year. While the company's executive compensation programs are designed to promote a long-term connection between pay and performance, the Board recognizes that executive compensation disclosures are made annually. Holding an annual advisory vote on executive compensation provides the company with more direct and immediate feedback on our compensation disclosures. However, shareholders should note that because the advisory vote on executive compensation occurs well after the beginning of the compensation year, and because the different elements of our executive compensation programs are designed to operate in an integrated manner and to complement one another, in many cases it may not be appropriate or feasible to change our executive compensation programs in consideration of any one year's advisory vote on executive compensation by the time of the following year's annual meeting of shareholders. An annual advisory vote on executive compensation also is consistent with the company's practice of having all directors elected annually and annually providing shareholders the opportunity to ratify the audit committee's selection of independent auditors.

We understand that our shareholders may have different views as to what is an appropriate frequency for advisory votes on executive compensation, and we will carefully review the voting results on this proposal. Shareholders will be able to specify one of four choices for this proposal on the proxy card: one year, two years, three years or abstain. Shareholders are not voting to approve or disapprove the Board's recommendation.

This advisory vote on the frequency of future advisory votes on executive compensation is non-binding on the Board. Notwithstanding the Board's recommendation and the outcome of the shareholder vote, the Board may in the future decide to conduct advisory votes on a more or less frequent basis and may vary its practice based on factors such as discussions with shareholders and the adoption of material changes to compensation programs.

Vote Required and Board Recommendation

The frequency option receiving the majority (if any) of the votes cast at the annual meeting will be the frequency that shareholders approve on an advisory basis.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE OF *ONE YEAR* WITH RESPECT TO THE FREQUENCY OF FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION.

Ratification of Appointment of Independent Registered Public Accounting Firm (Proposal 5)

Description

The Audit Committee has appointed PricewaterhouseCoopers LLP (“PwC”) as the company’s independent registered public accounting firm for the year ending December 31, 2017. PwC has served as the independent registered public accounting firm of the company since 2002.

Although ratification of the appointment of PwC is not legally required, the Board is asking the shareholders to ratify the appointment as a matter of good corporate governance. If the shareholders do not ratify the appointment, the Audit Committee will consider whether it is appropriate to select another independent registered public accounting firm in future years. Even if the shareholders ratify the appointment, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the company and its shareholders.

Representatives from PwC are expected to be present at the annual meeting, will have the opportunity to make a statement if they so desire and are expected to be available to respond to appropriate questions.

Fees of Independent Registered Public Accounting Firm

Aggregate fees for professional services delivered by PwC, the company’s independent registered public accounting firm, for the fiscal years ended December 31, 2016 and 2015 were as follows:

Type of Fees	2016	2015
Audit Fees(1)	$ 767,500	$ 896,000
Audit-Related Fees(2)	$ 330,956	$ 287,200
Tax Fees(3)	$ 250,000	$ 219,646
All Other Fees(4)	$ 1,800	$ 1,800
Total	$1,350,256	$1,404,646

(1) Audit Fees consist of the aggregate fees billed by PwC for the above fiscal years for professional services rendered by PwC for the integrated audit of the company’s consolidated financial statements and the company’s internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002, for review of the company’s interim consolidated quarterly financial statements included in the company’s quarterly reports on Form 10-Q and for services that are normally provided by PwC in connection with regulatory filings or engagements for the above fiscal years. Such fees also include fees billed by PwC in connection with its audit of the financial statements of Convida Wireless, LLC (“Convida Wireless”), the company’s joint venture with Sony Corporation of America (“Sony”).

(2) *Audit-Related Fees* consist of the aggregate fees billed by PwC for the above fiscal years for assurance and related services by PwC that were reasonably related to the performance of the audit or review of the company’s financial statements and are not reported above under the caption “Audit Fees.” Such fees relate to consultation concerning financial accounting and reporting standards and also include fees billed by PwC in connection with its audit of the financial statements of the Signal Trust for Wireless Innovation, a Delaware statutory trust formed in 2013. In addition, for 2015, such fees include fees billed by PwC for the comfort letter and other procedures related to the company’s offering of senior convertible notes in first quarter 2015.

(3) *Tax Fees* consist of the aggregate fees billed by PwC for the above fiscal years related to a foreign tax study and other technical advice related to foreign tax matters. In addition, for 2016, such fees also include fees bill by PwC in connection with a transfer pricing analysis.

(4) *All Other Fees* consist of the aggregate fees billed by PwC for the above fiscal years for certain accounting research software licensed by the company from PwC.

Audit Committee Pre-Approval Policy for Audit and Non-Audit Services of Independent Registered Public Accounting Firm

The Audit Committee has adopted a policy that requires the committee to pre-approve all audit and non-audit services to be performed by the company's independent registered public accounting firm. Unless a service falls within a category of services that the Audit Committee already has pre-approved, an engagement to provide the service requires specific pre-approval by the Audit Committee. Also, proposed services exceeding pre-approved cost levels require specific pre-approval.

Consistent with the rules established by the SEC, proposed services to be provided by the company's independent registered public accounting firm are evaluated by grouping the services and associated fees under one of the following four categories: *Audit Services, Audit-Related Services*, *Tax Services* and *All Other Services*. All proposed services for the following year are discussed and pre-approved by the Audit Committee, generally at a meeting or meetings that take place during the October through December time period. In order to render approval, the Audit Committee has available a schedule of services and fees approved by category for the current year for reference, and specific details are provided.

The Audit Committee has delegated pre-approval authority to its chair for cases where services must be expedited. In cases where the Audit Committee chair pre-approves a service provided by the independent registered public accounting firm, the chair is required to report the pre-approval decisions to the Audit Committee at its next scheduled meeting. The company's management periodically provides the Audit Committee with reports of all pre-approved services and related fees by category incurred during the current fiscal year, with forecasts of any additional services anticipated during the year.

All of the services performed by PwC related to fees disclosed above were pre-approved by the Audit Committee.

Vote Required and Board Recommendation

The affirmative vote of the majority of votes cast at the annual meeting is required to ratify the appointment of PwC as the company's independent registered public accounting firm for the year ending December 31, 2017.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE *FOR* RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2017.

REPORT OF THE AUDIT COMMITTEE

As more fully described in its charter, the Audit Committee oversees the company's financial reporting processes on behalf of the Board. In fulfilling our oversight responsibilities, the Audit Committee reviewed and discussed with management the company's audited consolidated financial statements for the year ended December 31, 2016, including a discussion of the acceptability and appropriateness of significant accounting principles and management's assessment of the effectiveness of the company's internal control over financial reporting. Management represented to us that the company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States and considered appropriate in the circumstances to present fairly the company's financial position, results of operations and cash flows. The Audit Committee also reviewed and discussed with PwC, the company's independent registered public accounting firm, the matters required to be discussed with the independent registered public accounting firm under applicable Public Company Accounting Oversight Board ("PCAOB") standards.

The Audit Committee also received and reviewed the written disclosures and the letter from PwC required by applicable requirements of the PCAOB regarding PwC's communications with the Audit Committee concerning independence and discussed with PwC their independence.

Based on the reviews and discussions with management and the independent registered public accounting firm referred to above, the Audit Committee recommended to the Board that the audited financial statements be included in the company's annual report on Form 10-K for the year ended December 31, 2016 for filing with the SEC, and the Audit Committee retained PwC as the company's independent registered public accounting firm for the year ending December 31, 2017.

AUDIT COMMITTEE:

John A. Kritzmacher, Chair
John D. Markley, Jr.
Kai O. Öistämö
Philip P. Trahanas

The foregoing Audit Committee report shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act") or the Exchange Act and shall not otherwise be deemed filed under these acts, except to the extent specifically incorporated by reference.

EXECUTIVE OFFICERS

Set forth below is certain information concerning our executive officers as of April 1, 2017:

Name	Age	Position
William J. Merritt	58	President and Chief Executive Officer
Richard J. Brezski	44	Chief Financial Officer and Treasurer
Jannie K. Lau	41	Executive Vice President, General Counsel and Secretary
Scott A. McQuilkin	62	Senior Executive Vice President, Innovation
James J. Nolan	56	Executive Vice President, IoT Solutions
Lawrence F. Shay	58	Senior Executive Vice President, Future Wireless, and Chief Intellectual Property Counsel

There are no family relationships among the individuals serving as our directors or executive officers. Set forth below are the name, office and position held with our company and principal occupations and employment of each of our executive officers. Biographical information on Mr. Merritt is discussed under the caption "Election of Directors" above.

Richard J. Brezski is InterDigital's Chief Financial Officer, responsible for overseeing the company's finance, accounting, audit, tax, treasury, IT and facilities functions, including the company's internal and external financial reporting and analysis. Mr. Brezski joined the company as Director and Controller in May 2003. Mr. Brezski was promoted to Senior Director in July 2006 and in January 2007 was appointed Chief Accounting Officer. In January 2009, Mr. Brezski was promoted to Vice President, Controller and Chief Accounting Officer, and in March 2011 he was appointed to the additional post of Treasurer. In May 2012, he was appointed Chief Financial Officer. Prior to joining InterDigital, Mr. Brezski served as an audit manager for PwC in its technology, information, communications and entertainment practice, where he provided business advisory and auditing services to product and service companies in the electronics, software and technology industries. Mr. Brezski earned a Bachelor of Science in Accountancy from Villanova University and an Executive Master of Business Administration from Hofstra University.

Jannie K. Lau is InterDigital's Executive Vice President, General Counsel and Secretary, responsible for managing the company's legal and government affairs functions. Ms. Lau joined InterDigital in 2008 as Associate General Counsel and was promoted to Deputy General Counsel in 2010. She was appointed to her current position in October 2012 and assumed responsibility for oversight of the company's intellectual property litigation and management of its intellectual property assets at the end of 2015. Prior to joining InterDigital, Ms. Lau served as securities and transactional counsel at IKON Office Solutions, Inc., then a Fortune® 500 document management solutions company. Before beginning her in-house career, she was an associate at leading global law firms in New York and Boston, where she represented public and pre-IPO companies as well as private equity and venture capital funds. Ms. Lau serves on the boards of directors of the Delaware Children's Museum and Jobs for Delaware Graduates and on the board of trustees of the Pennsylvania Academy of the Fine Arts. Ms. Lau earned a Juris Doctor, with honors, from the University of Pennsylvania Law School and holds a Bachelor of Arts in English and Comparative Literature from Columbia University.

Scott A. McQuilkin is InterDigital's Senior Executive Vice President, Innovation. Since 2014, Mr. McQuilkin has been responsible for leading the organization's non-patent commercial business initiatives and overseeing strategic business investments. Mr. McQuilkin joined the company as Chief Financial Officer in July 2007, and was appointed Senior Executive Vice President, Strategy and Finance, in May 2012, in which role he was responsible for overseeing the organization's strategy, corporate development and finance functions. In October 2012, Mr. McQuilkin assumed the title of Senior Executive Vice President, Innovation, and was responsible for leading the company's internal and external technology sourcing efforts, through oversight of InterDigital Labs until 2014 and of Innovation Partners through the end of 2015. Until joining InterDigital in

2007, Mr. McQuilkin served as Chief Financial Officer of Metavante Lending Solutions, a provider of banking and payment technology solutions, where he was responsible for all financial activities, including accounting, budgeting/forecasting, capital planning, cash management, strategic planning, mergers and acquisitions, tax, purchasing and payables. Mr. McQuilkin served as Chief Financial Officer for GHR Systems, Inc. ("GHR Systems"), a provider of lending technologies and related support services, from February 2000 to August 2006, when GHR Systems was acquired by Metavante Corporation. Mr. McQuilkin earned a Master of Business Administration from The Wharton School and a Bachelor of Science from Pennsylvania State University.

James J. Nolan is InterDigital's Executive Vice President, IoT Solutions. As head of IoT Solutions, Mr. Nolan oversees the development of IoT technology and solutions under InterDigital Labs and the advancement of market-ready IoT technologies toward commercialization. Since joining the company in 1996, Mr. Nolan has held a variety of engineering and management positions, including serving as the company's senior engineering officer from 2006 to 2014. Before assuming his current role at the end of 2015, Mr. Nolan served as head of InterDigital Solutions and was responsible for advancing the company's market-ready technologies toward commercialization as well as establishing and developing strategic business relationships and identifying potential new business opportunities. Prior to that, he was InterDigital's Executive Vice President, Research and Development, from 2009 to 2014. In those roles, Mr. Nolan led InterDigital's research and development teams, overseeing the development of standards-based technology as well as next generation technology initiatives. Prior to leading the company's engineering and R&D organizations, he led technology and product development of modems, protocol software and radio designs for multiple wireless standards. Mr. Nolan serves on the board of directors of Convida Wireless, the company's joint venture with Sony. He is also a board member of EvoNexus, a San Diego-based, member-supported, non-profit technology incubator, and serves as co-chair of the Dean's advisory board for Hofstra University's School of Engineering and Applied Science. Mr. Nolan earned a Bachelor of Science in Electrical Engineering from the State University of New York at Buffalo, a Master of Science in Electrical Engineering from Polytechnic University (now known as New York University Tandon School of Engineering) and an Executive Master of Business Administration from Hofstra University.

Lawrence F. Shay is InterDigital's Senior Executive Vice President, Future Wireless, and Chief Intellectual Property Counsel. Mr. Shay is responsible for overseeing all of the company's activities pertaining to cellular wireless technology, including long-term research and development under InterDigital Labs, participation in wireless standards bodies, the negotiation and administration of license agreements, the advancement of market-ready technologies toward commercialization and strategic patent sales and joint ventures. Mr. Shay was appointed to his current position at the end of 2015. Prior to that, Mr. Shay had served since 2008 as Executive Vice President, Intellectual Property, and Chief Intellectual Property Counsel, overseeing the management of the company's intellectual property assets and litigation related to intellectual property rights in addition to managing the company's patent business and licensing program and, from 2014 to the end of 2015, overseeing the InterDigital Labs function. He joined InterDigital in November 2001 as Chief Legal Officer and served as Corporate Secretary from November 2001 to September 2004. He previously served as General Counsel of U.S. Interactive, Inc., a multinational, publicly held Internet professional services corporation. From 1985 until 1999, Mr. Shay practiced corporate law with Dilworth Paxson LLP, a major Philadelphia law firm. Mr. Shay earned his Juris Doctor, with honors, from the Temple University School of Law and is a magna cum laude graduate of Saint Joseph's University, where he earned a Bachelor of Arts in Economics.

The company's executive officers are appointed to the offices set forth above to hold office until their successors are duly appointed.

EXECUTIVE COMPENSATION

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on its review and discussions, has recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and the company's Annual Report on Form 10-K.

COMPENSATION COMMITTEE:

Jean F. Rankin, Chair
Jeffrey K. Belk
S. Douglas Hutcheson
Philip P. Trahanas

The foregoing Compensation Committee report shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act and shall not otherwise be deemed filed under these acts, except to the extent specifically incorporated by reference.

Compensation Discussion and Analysis

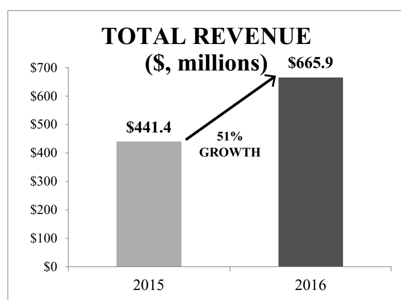
This Compensation Discussion and Analysis covers all material elements of compensation awarded to, earned by or paid to the company's Named Executive Officers ("NEOs") during 2016 and focuses on the principles underlying the company's executive compensation policies and decisions. The following individuals are our NEOs for 2016:

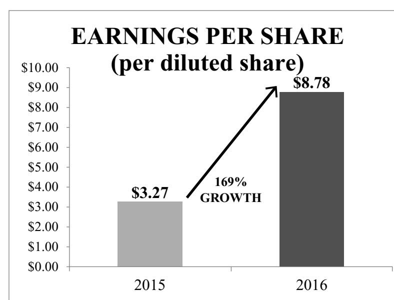
- William J. Merritt – President and Chief Executive Officer;
- Richard J. Brezski – Chief Financial Officer and Treasurer;
- Scott A. McQuilkin – Senior Executive Vice President, Innovation;
- James J. Nolan – Executive Vice President, IoT Solutions; and
- Lawrence F. Shay – Senior Executive Vice President, Future Wireless, and Chief Intellectual Property Counsel.

Executive Summary

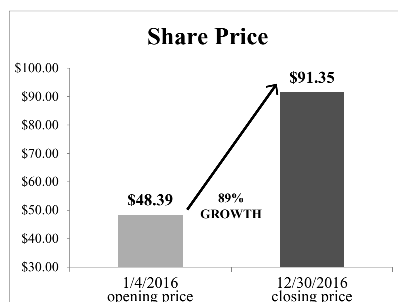
2016 Company Performance

InterDigital delivered a record year, continuing to drive revenue growth while managing our operating expenses. We reported our highest ever annual revenue of $665.9 million in 2016, compared to $441.4 million in 2015, a 51% increase, reduced operating expenses from $232.9 million in 2015 to $228.5 million in 2016, and generated net income of $309.0 million, or $8.78 per diluted share, compared to $119.2 million, or $3.27 per diluted share, in 2015. Our record total revenue number reflects the significant progress of our licensing program. In 2016, we entered into patent license agreements with the second and third largest handset vendors in the world, which, together with our existing licensee Samsung, accounted for approximately 40% of all 3G and 4G handsets sold in 2016.





In addition to these impressive financial results, we also maintained our prolific pace of innovation, with approximately 280 U.S. patents and approximately 1,250 non-U.S. patents issued in 2016. By building on our solid innovation foundation, we continued our creation of innovative technologies and standards development in 5G while developing interoperability standards and related software solutions in IoT. During 2016, InterDigital won or was shortlisted for six prestigious global awards in the IoT space, confirming our capabilities in this related field. In addition, we further evolved the business by acquiring Hillcrest Laboratories, a recognized leader in sensors and sensor fusion. Finally, the company's stock price posted tremendous gains in 2016, opening the trading year at $48.39 and closing the trading year at $91.35, an increase of 89%.



Good Governance Practices and Policies:

The company strives to maintain good governance practices and regularly reviews and updates such practices related to the compensation of our executive officers, including our NEOs. The following checklists summarize what we do and what we do not do in our executive compensation practices to highlight both the responsible practices we have implemented and the practices we have avoided in order to best serve our shareholders' long-term interests:

WHAT WE DO:

✓ We create a ***balanced compensation program*** through a mix of fixed and variable short- and long-term incentives.

✓ We ***cap*** both our annual short-term incentive plan ("STIP") pool and individual employee STIP payouts, including those of our NEOs, at two times target, even if company or individual performance would result in payouts in excess of two times target.

✓ We have ***double-trigger*** severance payout provisions (i.e., an executive must be terminated in connection with a change in control in order to receive any severance) in all executive employment contracts.

✓ We have a ***clawback policy*** under which the company may recover excess compensation paid to our executive officers if intentional misconduct or gross negligence by one or more of our executives results in a material restatement of our financial statements.

✓ We have robust target ***stock ownership*** levels for our executive officers and directors. Each NEO has met the applicable stock ownership requirements as described below under "Stock Ownership Guidelines."

✓ We ***review compensation-related risk*** with an outside independent compensation consultant on an annual basis to ensure our plans do not create incentives that would put the company at risk of a material adverse effect.

WHAT WE DO NOT DO:

☒ We do not provide excise tax gross-ups.

☒ We do not guarantee minimum STIP payouts.

☒ We do not use discretionary equity awards as a regular part of our executive compensation program. We may issue such awards from time to time when necessary to align with our compensation peer group or to reward performance. We did not grant a discretionary equity award to any of our NEOs in 2016.

☒ We do not provide any perquisites to executive officers that other employees at or above the senior director level do not receive.

☒ We do not permit the hedging of InterDigital stock by any employee, including executive officers.

☒ We do not pay out dividend equivalents on unearned RSUs; accrued dividend equivalents are paid out only if and to the extent that the underlying RSU award vests.

2016 Compensation Decisions and Actions

Following are highlights of the key compensation decisions made by the Compensation Committee for 2016:

- *Base salaries* were increased for two NEOs, Mr. Brezski and Mr. Nolan, who received increases of 10% and 6%, respectively. Please see "2016 Executive Compensation in Detail – Base Salary" below for details.

- The NEOs' *target STIP levels* for 2016 remained at the same levels, stated as a percentage of base salary, as in 2015, except for Mr. Nolan's target STIP level, which was increased to better align his total compensation with certain of the other NEOs. The NEOs received *STIP payouts* ranging from 182% to 200% of target as a result of individual, departmental and corporate performance. Please see "2016 Executive Compensation in Detail – Short-Term Incentive Plan" below for details.
- The CEO's *Long-Term Compensation Program* ("LTCP") *equity awards* for the 2016-2018 performance cycle saw an increased emphasis on performance-based equity with 60% of the total value in the form of performance-based RSUs, 20% of the total value in the form of stock options, and 20% of the total value in the form of time-based RSUs. The equity allocation for the other NEOs remained the same as in 2015, with a continued emphasis on performance-based equity with 50% of the total value in the form of performance-based RSUs, 25% of the total value in the form of stock options and 25% of the total value in the form of time-based RSUs. In addition, the Compensation Committee determined the achievement level for the goal associated with the performance-based RSUs granted for the 2014-2016 performance cycle to be at least approximately 160% of the target goal, which resulted in the maximum payout of 200% of the target awards. Please see "2016 Executive Compensation in Detail – Long-Term Compensation Program" below for details.

Results from 2016 Shareholder Advisory Vote on Executive Compensation

At the 2016 annual meeting of shareholders, we held an advisory vote on executive compensation. Approximately 94% of the votes cast supported the compensation of the company's named executive officers as disclosed in our 2016 proxy statement. Based on this strong shareholder support, the Compensation Committee determined not to make any significant changes to our existing compensation program and policies for 2016. The Compensation Committee considers the results of the annual advisory vote on executive compensation as a strong data point in its compensation decisions.

What Guides Our Program

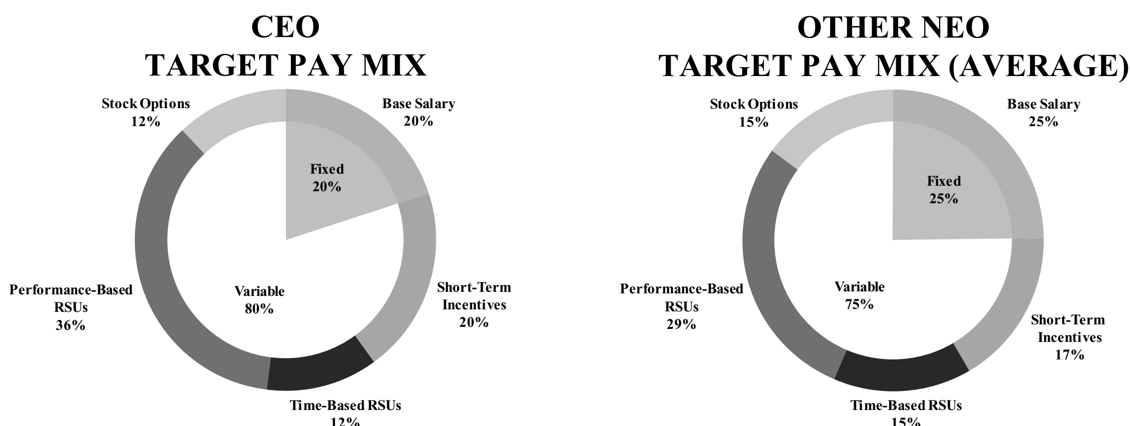
Compensation Objectives and Philosophy

The primary purpose of our executive compensation program is to attract, retain and motivate talented individuals who will drive the successful execution of the company's strategic plan. Specifically, we:

- Attract talented leaders to serve as executive officers of the company by setting total compensation levels and program targets at competitive levels for comparable roles in the marketplace;
- Retain our executives by providing a balanced mix of short and long-term compensation;
- Motivate our executives by "paying for performance," or rewarding individual performance and the accomplishment of corporate and departmental goals, as determined by the Compensation Committee, through the use of performance-based compensation; and
- Align with shareholders' interests; our compensation program seeks to reward our NEOs for increasing our stock price over the long term and maximizing shareholder value by providing a substantial portion of total compensation in the form of direct ownership in our company through long-term equity awards.

Pay for Performance (Principal Elements of Pay)

Our executive compensation program is intended to hold our executive officers accountable for business results and reward them for strong corporate performance and value creation for our shareholders by rewarding performance that meets or exceeds the goals established by the Compensation Committee. Our NEOs' total compensation is comprised of a mix of base salary, STIP and LTCP and, from time to time, other equity awards. Consistent with our compensation philosophy, the actual compensation received by our NEOs will vary based on individual, departmental and corporate performance measured against annual and long-term performance goals. Additionally, because a significant percentage of our NEOs' pay is comprised of equity awards, the value of their pay increases and decreases with changes in our stock price. For 2016, approximately 80% of our CEO's target compensation and 75%, on average, of the target compensation of our other NEOs was comprised of STIP and LTCP awards and thus variable based on the company's performance.



Role of the Compensation Committee

The Compensation Committee oversees the executive compensation program and has final approval with respect to the composition, structure and amount of all executive officer compensation, subject to Board review. The Compensation Committee is comprised of no less than three independent, non-employee members of the Board. Guided in the execution of its primary functions by the Board's philosophy that the interests of key leadership should be aligned with the long-term interests of the company and its shareholders, the Compensation Committee annually reviews and approves goals relevant to the performance-based incentive compensation of the Chief Executive Officer and other executive officers. The Compensation Committee works very closely with management and the Compensation Committee's independent consultant, Pearl Meyer & Partners ("Pearl Meyer"), to examine the effectiveness of the company's executive compensation program throughout the year. Details of the Compensation Committee's authority and responsibilities are specified in the Compensation Committee's charter, which is available on our website at http://ir.interdigital.com/CommitteeChart.

Role of Executive Officers

As part of the annual performance and compensation review for executive officers other than the Chief Executive Officer, the Compensation Committee considers the Chief Executive Officer's assessment of the other executive officers' departmental and individual performances, including the identification of major individual accomplishments and any other recommendations of the Chief Executive Officer with respect to their compensation. The Chief Executive Officer also reports to the Compensation Committee on the company's achievement of objectively measurable goals established under performance-based incentive programs, based upon data related to achievement provided by the Chief Financial Officer and verified by the company's internal auditor.

Role and Independence of Advisors

As referenced above, the Compensation Committee has engaged Pearl Meyer, an independent compensation consultant, to assist in carrying out its responsibilities. The Compensation Committee is responsible for selecting the consultant, negotiating the fees that are paid and determining the scope of the engagement. The Compensation Committee retained the compensation consultant to advise it and the rest of the Board, as applicable, on matters including, but not limited to, trends in executive compensation, compensation peer group composition, assessing total direct compensation of the executives as compared to the compensation peer group, short and long-term incentive plan design and compensation of the company's executive officers. Based on consideration of the various factors as set forth in the SEC rules and the listing standards of NASDAQ, the Compensation Committee has determined that Pearl Meyer does not have any conflicts of interest.

Factors Considered in Setting Compensation Amounts and Targets

In establishing compensation amounts and incentive program targets for executives, the Compensation Committee seeks to provide compensation that is competitive in light of current market conditions and industry practices. Accordingly, the Compensation Committee annually reviews market data that is comprised of proxy-disclosed data from peer companies and information from nationally recognized published surveys for the general and high-technology industries, adjusted for size.

In September 2015, Pearl Meyer assisted the Compensation Committee with its process of identifying peer group companies for 2016 compensation purposes. When choosing compensation peers, we not only look for companies with similar revenue in the communications equipment industry, but also companies for which licensing revenue is a significant component of their total revenue stream (approximately 20% to 100% of total revenue). The compensation peer group for 2016 contained the same companies as for 2015, except for the addition of RPX Corporation, which was chosen for its significant patent licensing revenue and relative size, revenue and market capitalization. The companies comprising the 2016 compensation peer group were:

Acacia Research Corporation	Dolby Laboratories, Inc.	Rovi Corporation
ADTRAN Inc.	DTS Inc.	RPX Corporation
Alkermes plc	Harmonic Inc.	Synaptics Inc.
ARM Holdings plc	Immersion Corporation	Tessera Technologies Inc.
Comtech Telecommunications Corp.	Rambus Inc.	Universal Display Corp.

Pearl Meyer conducted a compensation peer group review and reviewed market data from nationally recognized published surveys. Pearl Meyer then presented a report to the Compensation Committee that included such publicly available information about the levels and targets for base salary, short-term incentive compensation, long-term incentive compensation and total compensation for comparable executive-level positions at such peer group companies. The market data helps the Compensation Committee gain perspective on the compensation levels and practices at the compensation peer companies and to assess the relative competitiveness of the total compensation paid to the company's executives. The data thus guides the Compensation Committee in its efforts to set executive compensation levels and program targets at competitive levels for comparable roles in the marketplace. The Compensation Committee uses the data to look for outliers or, in other words, those executives whose total compensation is substantially below the 50th percentile and those executives whose total compensation is above the 75th percentile of compensation peer companies, but does not benchmark executive officer compensation to specific market percentages. In addition, the Compensation Committee takes into account other factors, such as the importance of each executive officer's role to the company, individual expertise, experience and performance, retention concerns and relevant compensation trends in the marketplace, in making its final compensation determinations.

2016 Executive Compensation in Detail

Base Salary

Base salary is the fixed element of an executive's current cash compensation, which the company pays to afford each executive the baseline financial security necessary to focus on his or her day-to-day responsibilities. Base salaries for the executives are set at competitive levels to attract and retain highly qualified and talented leaders. The Compensation Committee reviews and approves base salaries for the executives annually. Salary adjustments for our NEOs in 2016 were based on consideration of each NEO's position, scope of responsibility and importance to the company and performance during 2015, as well as a review of the market data and a comparison of each NEO's total compensation against that of the other executive officers in the company's compensation peer group. Mr. Brezski and Mr. Nolan were the only NEOs who received salary increases in 2016. Mr. Brezski, our Chief Financial Officer, received a salary increase of 10% to recognize his exceptional performance in 2015 and because his base salary was still substantially below the 50th percentile. Mr. Nolan received a 6% increase to keep his base compensation competitive with the other NEOs and to reflect the importance of his new role as head of our IoT business.

Set forth below are the 2015 and 2016 base salaries for our NEOs:

NEO	2015	2016
William J. Merritt	$620,000	$620,000
Richard J. Brezski	350,000	385,000
Scott A. McQuilkin	415,000	415,000
James J. Nolan	360,500	385,000
Lawrence F. Shay	437,750	437,750

Short-Term Incentive Plan

The STIP annual incentive award is designed to provide a cash reward for the achievement of corporate goals and individual accomplishments during each fiscal year. Individual STIP payouts are determined based on performance against pre-determined strategic corporate goals, departmental performance and individual performance.

In first quarter 2016, the Compensation Committee approved target STIP levels for each of the NEOs at the same levels as 2015, with the exception of Mr. Nolan, who whose target level was increased from 60% to 75% as a result of his new role as head of the IoT business. The 2016 target STIP levels, set as a percentage of annual base salary, for the NEOs were as follows:

NEO	2016 Target STIP Level
William J. Merritt	100%
Richard J. Brezski	60%
Scott A. McQuilkin	75%
James J. Nolan	75%
Lawrence F. Shay	75%

The company's STIP provides for two separate incentive pools, an executive incentive pool from which all executive STIP payments are made and an incentive pool for the rest of the company's eligible employees. The aggregate value of the STIP awards paid to the company's executives, including the NEOs, and the company's other eligible employees cannot be greater than the total funded incentive pools.

The target executive incentive pool is an amount equal to the sum of the individual STIP targets of all eligible executives, plus an additional 25% of such sum that is reserved for discretionary awards for strategic leadership. Actual funding of the incentive pools may range from a minimum of 25% to a maximum of 200% of

the target pools based on the achievement level attained with respect to a pre-determined financial goal. A floor of 25% of the target pool is set because the funding "floor" provides a mechanism for the company to reward extraordinary individual results of select employees, including executives, relative to objectives other than the financial goal, however, there is no minimum guaranteed individual payout for any participant; as a result, NEOs are not guaranteed an STIP payout. Individual STIP awards are capped at 200% of target.

For 2016, the STIP incentive pools were funded based on one normalized cash flow goal pre-established by the Compensation Committee. The normalized cash flow goal that set the STIP incentive pools for 2016 was as follows:

Threshold	Target	Superior
$210 million of normalized cash flow	$300 - $400 million of normalized cash flow	$490 million of normalized cash flow

Achievement of between $300 and $400 million of normalized cash flow would fund the pools at 100% of target, while performance below the threshold level of $210 million would result in minimum funding of 25% of target and performance at or above the superior achievement level would result in funding at the maximum 200% of target. A range was established for the 2016 target normalized cash flow goal to capture the various potential license agreement structures being considered for a particular licensee and thereby incentivize management to enter into a patent license agreement that was structured in the way that was most beneficial for the company as opposed to in the way that helped meet a specific target goal. Performance levels that fall below target achievement (i.e. between $210 million and $300 million) or above target achievement (i.e. between $400 million and $490 million) are determined using straight-line interpolation between the achievement level amounts. For additional information on the company's use of normalized cash flow as a performance measure, see "Long-Term Compensation Program – Normalized Cash Flow" below.

In December 2016, the Chief Executive Officer reported to the Compensation Committee on the company's achievement, through December 14, 2016, of the normalized cash flow goal for the purpose of funding the 2016 STIP executive incentive pool. At that time, the Compensation Committee certified that the company's normalized cash flow for 2016 was determined to be at least $490 million, which was the minimum achievement level required to fund the incentive pool at the maximum level of 200% of target. In January 2017, the Chief Executive Officer reported to the Compensation Committee on the company's achievement level with respect to the normalized cash flow goal through year-end 2016. After reviewing the company's goal achievement as of December 31, 2016, the Compensation Committee certified that the company's final normalized cash flow for 2016 was determined to be at least $549 million, resulting in the funding of the incentive pool at the maximum 200% level. For 2016, total normalized cash flow was $553 million. This amount was $153 million above the high end of the $100 million range the Compensation Committee had established for target goal performance. Normalized cash flow is a measure used by the company solely for the purposes of its compensation plan goals and it is not calculated in accordance with generally accepted accounting principles ("GAAP"). A presentation showing how the $553 million normalized cash flow number was calculated based on numbers contained within the company's audited financial statements is set forth in Appendix B to this proxy statement.

The actual 2016 STIP payout amounts for the NEOs are determined by considering performance against pre-determined strategic corporate goals, departmental performance and individual performance. The Compensation Committee approves strategic corporate goals with pre-defined targets and other goals that provide for discretion upon evaluation so that it can reward meeting and exceeding our targets while also considering the quality of our results and other factors not anticipated at the beginning of the year. For 2016, the strategic corporate goals for the company's executives and the relative weights assigned to each were as follows:

2016 STIP Strategic Corporate Performance Goals:

Goal	Description	Target Weight
Licensing Agreements	Achieve a specified number of patent licensing agreements entered in connection with research and development or other cooperative activities	*20%*
Royalty Platform	Achieve specified amount for management's best estimate at year-end of the company's expected licensing revenues over the following 12-month period	*20%*
Research/Innovation	Identification of innovation opportunities and investment (through acquisition or otherwise) in such innovation	*20%*
Business Model Evolution	Successful actions by management to expand core business	*20%*
Compensation Committee Discretion	Allow Compensation Committee to adjust performance upward or downward as a result of unexpected outcomes or circumstances	*20%*
TOTAL		**100%**

These strategic corporate goals were structured to challenge and motivate executives and intended to align the executive team around a key set of company performance objectives.

In January 2017, the Chief Executive Officer reported to the Compensation Committee on the final achievement of the strategic corporate goals and provided his assessment with respect to departmental and individual executive officer performance for the year. For 2016, the strategic corporate goals related to licensing agreements and royalty platform fell short of target; however, the achievement level of the research/innovation and business model evolution goals exceeded target. For example, the research/innovation goal was exceeded, in part, as a result of our continued success in 5G innovation and industry recognition of our IoT business, as evidenced by our IoT solutions winning or being shortlisted for numerous global awards in 2016. The business model evolution achievement far exceeded the goal as a result of the successful acquisition of Hillcrest Laboratories. Although the royalty platform and licensing agreement goals fell short of target, the company nevertheless increased predictability of licensing revenues with the entry into fixed-fee patent license agreements with the world's second and third largest handset vendors, and the company joined the Avanci IoT licensing platform, which is expected to allow the company to pursue the connection-level IoT licensing opportunity without making significant incremental investments. Finally, the Compensation Committee also considered other positive developments in 2016 that were not captured specifically by the goals, such as the significant increase in the company's stock price. As a result, the Compensation Committee determined that the total achievement level with respect to the strategic corporate goals was 102%.

The actual STIP payout for the Chief Executive Officer is based on achievement of the strategic corporate goals and his individual performance. The actual STIP award paid to all other NEOs is based on the achievement of the strategic corporate goals, the NEO's department's performance and the NEO's individual performance.

In determining the STIP payout to the Chief Executive Officer for 2016, the Compensation Committee considered the Board's assessment of his performance in 2016, as reflected in the recommendation of the non-executive Chairman of the Board, who is the primary liaison between the Chief Executive Officer and the full Board. Based on the achievement level with respect to the strategic corporate goals and the performance of the Chief Executive Officer on an individual level, the Compensation Committee determined that Mr. Merritt's

STIP payout for 2016 should be the maximum 200% of target. For the other NEOs, the Compensation Committee reviewed the performance assessments provided by Mr. Merritt with respect to each executive's individual and departmental performance and also considered its own direct interactions with each NEO. As a result of the achievement level with respect to the strategic corporate goals and departmental and individual performances, 2016 STIP payouts for the NEOs ranged from 182% to 200% of target.

The 2016 STIP awards paid to the NEOs were entirely in cash. The Grants of Plan-Based Awards Table below reports the threshold, target and maximum potential STIP payouts for each NEO for 2016, and the Summary Compensation Table below reports the amounts actually earned by each NEO for 2016 under the STIP.

Long-Term Compensation Program

The LTCP is designed to align management's interests with those of the company's shareholders to maximize the value of the company's stock over the long term and to enhance retention efforts by incentivizing executive officers to drive the company's long-term strategic plan. It currently consists of three components:

- *performance-based RSU*s, which align employee and shareholder interests by tying value to both business results and future stock price;
- *stock options*, which the Compensation Committee considers to be performance-based compensation and an important form of long-term incentive compensation because they are only valuable if our stock price increases over time; and
- *time-based RSUs,* which provide retention benefits and, in concert with our stock ownership guidelines, focus our executives on long-term share ownership and sustained value.

The Compensation Committee determines annually the participation level and components of each executive officer's LTCP award, emphasizing internal pay equity between the company's NEOs and other executives to motivate and incentivize performance across the senior management team and encourage collaboration and shared responsibility for executing the company's strategic plan. For performance-based RSUs, 100% achievement of the associated performance goal results in a full vesting of the associated RSUs. With respect to the performance-based RSU awards granted in 2014, 2015 and 2016, for each 1% change above or below 100% achievement, the actual award amount is adjusted by 2.5 percentage points, with a threshold payout of 50% of target and a maximum payout of 200% of target. Accordingly, for performance that falls below 80% achievement, no performance-based award would vest.

Payouts of performance-based awards under the LTCP have varied in recent years, ranging from no payout for the 2013-2015 and the 2007-2009 performance periods to a 200% payout for the most recent, 2014-2016 performance period:

Performance Period	LTCP Payout
2007-2009	None
2008-2010	86%
2009-2011	31%
2010-2012	100%
2011-2013	71%
2012-2014	110%
2013–2015	None
2014-2016	200%

2014-2016 Cycle

For the performance cycle that began on January 1, 2014, and ended December 31, 2016 (the "2014-2016 cycle"), each NEO received 50% of their target award in performance-based RSUs, 25% in stock options and 25% in time-based RSUs that vested in March 2017. The total target values of the awards granted to the NEOs in March 2014 for the 2014-2016 cycle were as follows:

NEO	Target
William J. Merritt	$1,575,000
Richard J. Brezski	700,000
Scott A. McQuilkin	1,000,000
James J. Nolan	600,000
Lawrence F. Shay	1,000,000

The goal associated with the performance-based RSU awards for the 2014-2016 cycle was as follows:

Threshold	Target	Superior/Maximum
$350 million of normalized cash flow	$700 million of normalized cash flow	$1,050 million of normalized cash flow

In January 2017, the Chief Executive Officer reported to the Compensation Committee on the achievement of the performance goal for the 2014-2016 cycle. After reviewing the company's progress toward this goal as of December 31, 2016, the Compensation Committee certified that the company's total normalized cash flow for the 2014-2016 performance period was determined to be at least $1,118 million, or approximately 160% of the target performance goal, which resulted in the vesting of the maximum number of performance-based RSUs, or 200% of the target awards. The total amount of normalized cash flow achieved over the three-year period was $1,150 million. As stated above, normalized cash flow is a measure used by the company solely for the purposes of its compensation plan goals and it is not calculated in accordance with GAAP. A presentation showing how the $1,150 million normalized cash flow number was calculated based on numbers contained within the company's audited financial statements is set forth in Appendix B to this proxy statement.

2016-2018 Cycle

For those equity awards granted in 2016 for the performance cycle that began on January 1, 2016, and runs through December 31, 2018 (the "2016-2018 cycle"), the CEO received 60% of his total award in the form of performance-based RSUs that vest, if at all, after the end of the performance period based on the company's achievement of pre-approved goals established by the Compensation Committee. The Compensation Committee increased the percentage of performance-based RSUs in the CEO's grant mix in 2016 because of our CEO's unique role in driving towards the achievement of the performance goals, and because the Compensation Committee wanted the CEO more incentivized towards performance. Each other NEO received 50% of his total award in the form of performance-based RSUs. The CEO received 20% of his total award in stock options and 20% in the form of time-based RSUs while the other NEOs received 25% in stock options and 25% in the form of time-based RSUs. All equity awards were granted to the NEOs on March 30, 2016.

To determine the number of performance-based RSUs and time-based RSUs awarded, the respective allocated target amounts were divided by the closing stock price on the day prior to the grant. The number of performance-based RSUs that vest, if any, will depend on the goal achievement as determined by the Compensation Committee after the end of the cycle. The number of stock options that are granted is calculated using the Black-Scholes option pricing model. For the options granted in 2016, the weighted average assumptions underlying the valuation under the Black-Scholes model are as follows: expected life of 4.5 years; volatility of 33.11%; a risk-free interest rate of 1.29%; and a dividend yield of 1.46%. The goals associated with the performance-based RSU awards for the 2016-2018 cycle are to generate specified amounts of normalized cash flow and certain revenue over the performance period of the cycle.

The total target values of the LTCP equity awards granted to the NEOs in March 2016 for the 2016-2018 cycle were as follows:

NEO	Target
William J. Merritt	$1,925,000
Richard J. Brezski	700,000
Scott A. McQuilkin	1,100,000
James J. Nolan	750,000
Lawrence F. Shay	1,100,000

While the target values of the LTCP awards for each NEO are generally consistent with the target long-term equity award values for the executives in our compensation peer group, when determining the value of the LTCP awards, the Compensation Committee reviews the total direct compensation of the executives in the compensation peer group to ensure that the aggregate target awards for each executive result in a total direct compensation level that is not substantially below the 50th percentile or above the 75th percentile of our compensation peer group. Pay and equity pay mix of our compensation peers and general industry companies is also considered.

Normalized Cash Flow

The Compensation Committee has selected normalized cash flow goals for the LTCP and for funding the incentive pool of the STIP because it believes that normalized cash flow most effectively aligns management's interests with those of the company and its shareholders and is the most accurate measure of the company's performance. As more fully described in our Annual Report on Form 10-K for the year ended December 31, 2016, revenue recognition for revenues derived from patent license agreements is complex, and we derive the vast majority of our revenue from patent licensing. The complicated and unpredictable nature of patent licensing revenue recognition make GAAP cash flow or revenue an inaccurate measure of performance for the company, and using such measures could also incentivize management to enter into patent license agreements that are structured in a way that helps meet incentive plan goals rather than in the way that is most beneficial for the company.

The timing and amount of revenue recognized from each license depends upon a variety of factors, including the specific terms of each agreement and the nature of the deliverables and obligations and, as a result, components of our revenue tend to be highly variable year to year. In addition, the timing of our revenue recognition is often disjointed from the timing of the related cash receipts as a result of components of the agreement that provide for prepayment of royalties, past sales, etc. So that our executives are properly motivated to maximize the overall value of our patent portfolio and not to maximize short-term gains strictly for the purpose of attaining incentive plan goals, we normalize the cash inflow under our license agreements to treat all licensing revenue as if it were negotiated as royalty bearing over the life of the agreement.

In addition to normalizing our cash inflows, we also adjust our cash outflows to capture the appropriate cash expenditures for which we manage our business. This process begins with our total operating expenses and deducts defined non-cash expenses (e.g., depreciation and amortization) and then adds in capital expenditures. We also exclude certain items that (a) make the calculation iterative (e.g., performance-based compensation) or (b) are non-operational (e.g., intellectual property enforcement costs) or non-recurring (e.g., repositioning costs and severance) in nature and which we would otherwise back out when evaluating our financial performance.

For example, when using normalized cash flow as a measure, if a patent licensing agreement includes a large up-front payment, in order to avoid having that payment disproportionately drive cash flow for the performance period, the payment is spread out over the term of the license agreement, mimicking what would happen if the cash was received pursuant to a running royalty-based license agreement. Strictly for illustrative purposes, assume the company set a GAAP cash flow goal of $100 for a three-year LTCP performance period

and in each of the first two years of the performance period the company had generated $33 of cash flow from running royalties—bringing the total cash flow achieved for the first two years to $66. Because the cash flow was from running royalties, the amount included toward the goal for the performance period would be the same under both a GAAP cash flow and a normalized cash flow measure. Then, during year 3 of the performance period, the company negotiates a new 5-year $100 patent license agreement. A GAAP cash flow goal could incentivize management to accept less than $100 in licensing royalties ($50 in this example) if the total discounted amount was paid up front (Deal A), which would then contribute $50 toward the achievement of the goal for the performance period, rather than the full $100 paid over five years (Deal B), which would contribute only $20 toward the achievement of the performance goal. Although Deal B is clearly better for the company and its shareholders, the use of a GAAP cash flow performance incentive measure could create an incentive to enter into Deal A, as that deal would have led to a larger incentive payout for the performance period (140% under Deal A vs. 65% under Deal B, as illustrated in the following table). By using normalized cash flow as the performance measure, management is properly incentivized to enter into Deal B, which not only leads to a higher incentive payout (65% under Deal B vs. no payout under Deal A, as illustrated in the following table), but also to the better outcome for the company and its shareholders.

Normalized Cash Flow Illustrative Example

	DEAL A Incentive Plan Performance Measure		DEAL B Incentive Plan Performance Measure	
Performance Period Year	**GAAP Cash Flow**	**Normalized Cash Flow**	**GAAP Cash Flow**	**Normalized Cash Flow**
Year 1	$ 33	$33	$33	$33
Year 2	$ 33	$33	$33	$33
Year 3	$ 50	$10	$20	$20
Total	$116	$76	$86	$86
Goal Achievement	116%	76%	86%	86%
LTCP Payout(a)	140%	0%	65%	65%

(a) For each 1% change above or below 100% achievement, the actual award amount is adjusted by 2.5 percentage points, with a threshold payout of 50% of target and a maximum payout of 200% of target. Accordingly, for performance that falls below 80% achievement, no performance-based award would vest.

Other Practices, Policies and Guidelines

Grant Practices

RSU awards and stock options granted to executives under the LTCP are targeted to be granted each year on the later of March 15 or on or after the date the Compensation Committee approves the goals associated with the performance-based RSUs. If a participant joins the company or becomes eligible to receive awards through a promotion after the annual grant date, he or she would be eligible for an award on the 15th of the month following his or her date of hire or promotion, respectively. The closing stock price on the date of grant determines the exercise price of stock option grants, and, historically, the company’s closing stock price on the day prior to the grant date has been used to determine the number of performance-based and time-based RSUs granted. Beginning with the 2017 LTCP grants, the closing stock price on the date of grant is used to determine the number of RSUs granted. The Compensation Committee does not time equity grants to take advantage of material nonpublic information.

As noted above, performance-based RSUs granted through 2016 are tied to a 3-year performance period. Time-based RSUs vest 100% on the vest date, which is generally on or around the third anniversary of the grant date (i.e., “cliff” vesting). Stock options vest one-third on each of the first, second and third anniversaries of the grant date (i.e., “ratable” vesting). Stock options expire on the seventh anniversary of the grant date.

The Compensation Committee may, in its sole discretion, grant additional equity awards to executives, including the NEOs, outside of the LTCP and the other compensation programs described above. As noted above, the Compensation Committee intends to limit the use of discretionary awards, but may issue such awards from time to time when necessary. In approving such awards, the Compensation Committee may consider the specific circumstances of the grantee, including, but not limited to, total compensation relative to our compensation peer group, compensation for his or her position, promotion, expansion of responsibilities, exceptional achievement recognition and retention concerns.

Stock Ownership Guidelines

To align the interests of our executive officers with those of our shareholders, the company has established stock ownership guidelines for its executive officers. The Chief Executive Officer's target ownership level is no less than the lesser of an amount of company stock with a value of at least five times his current annual base salary or 65,000 shares. The company's senior executive vice presidents (Messrs. McQuilkin and Shay) are expected to own no less than the lesser of an amount of company stock with a value of at least three times their current annual base salary or 25,000 shares, and the company's other executive officers (including Messrs. Brezski and Nolan) are expected to own no less than the lesser of an amount of company stock with a value of at least two times their current annual base salary or 12,500 shares.

Qualifying stock includes shares of common stock held outright or through the company's 401(k) Plan (as defined below), restricted stock and, on a pre-tax basis, unvested time-based RSUs. For purposes of calculating the value of company stock holdings, each share or other qualifying stock unit is priced at a price per share/unit equal to the average closing stock price of the company's common stock for the 200 trading days leading up to and including the calculation date. The 200-day average closing stock price is calculated annually on the date of the company's annual meeting of shareholders.

Any executive who has not reached or fails to maintain his or her target ownership level must retain at least 50% of any after-tax shares derived from vested RSUs or exercised options until his or her level is met. An executive may not make any disposition of shares that results in his or her holdings falling below the target level without the express approval of the Compensation Committee. As of April 1, 2017, all of the NEOs are in compliance with the guidelines and have reached their target ownership levels.

Clawback Policy

In 2014, the Board adopted a clawback policy that would, under certain circumstances, entitle the company to recover certain compensation previously paid to the company's executive officers, in accordance with the requirements of Section 304 of the Sarbanes-Oxley Act of 2002 and Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. In the event of any intentional misconduct or gross negligence by one or more executives that results in a material restatement of any company financial statement that was filed during the company's then-current fiscal year or during one of the three prior full fiscal years, each executive would be required to repay or forfeit any excess compensation. The company will reevaluate its policy once final rules are adopted by the SEC and NASDAQ.

Savings and Protection and Nonqualified Deferred Compensation Plans

The company's Savings and Protection Plan ("401(k) Plan") is a tax-qualified retirement savings plan pursuant to which employees, including NEOs, are able to contribute the lesser of 100% of their annual base salary and bonus or the annual limit prescribed by the Internal Revenue Service ("IRS") on a pre-tax basis. The company provides a 50% matching contribution on the first 6% of an employee's eligible earnings contributed to the 401(k) Plan, up to the cap mandated by the IRS. The company offers this benefit to encourage employees to save for retirement and to provide a tax-advantaged means for doing so.

As noted above, the IRS imposes limits on the amounts that an employee may contribute annually to a 401(k) Plan account. The company's nonqualified deferred compensation plan (the "deferred compensation

plan") provides a select group of management and highly compensated employees, including the NEOs, with an opportunity to defer up to 40% of their base salary and up to 100% of their STIP payment. For 2016, the company matched up to 50% of the first 6% of the participant's eligible deferrals, determined on a combined plan basis taking into account deferred amounts under both the deferred compensation plan and the 401(k) Plan; these contributions will receive the investment performance of InterDigital common stock. Matching contributions are made once annually after the end of the year. Participants vest one-third in company matching contributions after one year of service, two-thirds after two years of service and fully after three years of service, a vesting schedule identical to the 401(k) Plan. For more information about the nonqualified deferred compensation plan, see "Nonqualified Deferred Compensation."

Agreements with NEOs

In March 2013, the company entered into amended and restated employment agreements with each NEO. The agreements provided for an initial employment term of two years, which term automatically renews for additional successive one-year periods (unless either party provides notice of non-renewal at least 90 days before the expiration of the term (as extended by any renewal period)). Among other things, the agreements provide severance payments and benefits upon certain qualifying terminations of employment, including upon termination of the NEO's employment by the company without "Cause" or by the executive for "Good Reason," and provide for enhanced payments and benefits if such termination occurs on or within one year after a "Change in Control" of the company, each as defined in the applicable agreement. For more information regarding the provisions governing these termination scenarios, see "Potential Payments upon Termination or Change in Control."

Prohibition against Hedging

The company's insider trading policy prohibits directors, officers, employees and consultants of the company from engaging in any hedging transactions involving company stock.

Impact of Tax Treatment

Section 162(m) of the Code generally limits the company's tax deduction for compensation paid to our Chief Executive Officer and other NEOs (other than the Chief Financial Officer) to $1 million per person in any tax year. Qualified performance-based compensation is not subject to the deduction limit if specified requirements are met. The Compensation Committee may consider the deductibility of compensation when making decisions, but will authorize the payment of compensation that is not deductible when it believes it is appropriate.

Compensation-Related Risk Assessment

We have assessed our employee compensation policies and practices and determined that any risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on the company. In reaching this conclusion, the Compensation Committee considered all components of our compensation program and assessed any associated risks. The Compensation Committee also considered the various strategies and measures employed by the company that mitigate such risk, including: (i) the overall balance achieved through our use of a mix of cash and equity, annual and long-term incentives and time- and performance-based compensation; (ii) our use of multi-year vesting periods for equity grants; (iii) limits on the maximum goal achievement levels and overall payout amounts under the STIP and LTCP awards; (iv) the company's adoption of, and adherence to, various compliance programs, including a code of ethics, a clawback policy, a contract review and approval process and signature authority policy and a system of internal controls and procedures; (v) the use of normalized cash flow as a performance metric; and (vi) the oversight exercised by the Compensation Committee over the performance metrics and results under the STIP and the LTCP. In addition, compensation programs are reviewed with Pearl Meyer, the compensation consultant, on an annual basis to ensure plans do not create incentives that would put the company at excessive risk. Based on the assessment described above, the Compensation Committee concluded that any risks associated with our compensation policies and practices were not reasonably likely to have a material adverse effect on the company.

Accounting for Share-Based Compensation

We follow FASB ASC Topic 718 for our share-based compensation awards. FASB ASC Topic 718 requires companies to measure the compensation expense for all share-based compensation awards made to employees and directors, including stock options and RSUs, based on the grant date "fair value" of these awards. This calculation is performed for accounting purposes and reported in the compensation tables below, even though our NEOs may never realize any value from their awards; FASB ASC Topic 718 also requires companies to recognize the compensation cost of their share-based compensation awards in their income statements over the period that an executive officer is required to render services in exchange for the option or other award.

Summary Compensation Table

The following table contains information concerning compensation awarded to, earned by or paid to our NEOs in the last three years. Our NEOs include: (i) William J. Merritt, our Chief Executive Officer, (ii) Richard J. Brezski, our Chief Financial Officer, and (iii) Scott A. McQuilkin, James J. Nolan and Lawrence F. Shay, who are our three other most highly compensated executive officers in 2016 who were serving as executive officers of the company at December 31, 2016. Additional information regarding the items reflected in each column follows the table.

Name and Principal Position	Year	Salary ($)(1)	Stock Awards ($)(2)(3)	Option Awards ($)(4)	Non-Equity Incentive Plan Compensation ($)(5)	All Other Compensation (6)	Total ($)
William J. Merritt	2016	620,000	387,806	385,000	1,240,000	78,925	2,711,731
President and Chief	2015	613,846	393,785	393,780	1,100,000	59,406	2,560,817
Executive Officer	2014	600,000	393,753	393,750	1,196,908	32,662	2,617,073
Richard J. Brezski	2016	375,038	176,270	175,000	435,654	30,197	1,192,159
Chief Financial Officer and	2015	343,076	175,039	175,000	381,239	24,820	1,099,174
Treasurer	2014	325,000	261,395	175,000	368,986	15,500	1,145,881
Scott A. McQuilkin	2016	415,000	277,012	275,000	587,001	25,790	1,579,803
Senior EVP, Innovation	2015	410,846	250,033	250,000	517,694	26,703	1,455,276
	2014	400,000	250,001	250,000	599,048	21,437	1,520,486
James J. Nolan	2016	378,026	188,849	187,500	524,326	39,311	1,318,012
EVP, IoT Solutions	2015	357,592	150,041	150,000	342,358	27,469	1,027,460
	2014	350,000	150,013	150,000	382,315	18,252	1,050,580
Lawrence F. Shay	2016	437,750	277,012	275,000	656,625	45,668	1,692,055
Senior EVP, Future Wireless,	2015	434,218	250,033	250,000	548,590	36,324	1,519,165
and Chief Intellectual Property Counsel	2014	425,000	250,001	250,000	636,928	20,906	1,582,835

(1) Base salary increases for 2016 did not become effective until April 1, 2016. Amounts reported for 2016 reflect the value of base salary earned by each NEO during 2016.

(2) Amounts reported reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for time-based RSU awards granted during the designated fiscal year. The assumptions used in valuing these awards are incorporated by reference to Notes 2 and 10 to our audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2016. Under generally accepted accounting principles, compensation expense with respect to stock awards granted to our employees and directors is generally equal to the grant date fair value of the awards and is recognized over the vesting periods applicable to the awards.

(3) Amounts reported also reflect the value at the grant date of performance-based RSUs granted in such years based upon the probable outcome of the performance conditions for such awards, consistent with the

estimate of aggregate compensation cost to be recognized over the service period determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures. The assumptions used in valuing these awards are incorporated by reference to Notes 2 and 10 to our audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2016.

On March 30, 2016, the company granted performance-based RSU awards to its NEOs for the 2016-2018 cycle under the LTCP. As of the date of grant, consistent with the estimate determined as of the grant date under FASB ASC Topic 718, the probable outcome of the performance condition for these grants did not meet the threshold for recording compensation cost, and, as a result, their grant date value was $0. Accordingly, there is no value reported for the performance-based RSUs granted to the NEOs in 2016. The following table sets forth the grant date fair value of the performance-based RSUs granted to the NEOs in 2016 assuming that the highest level of performance conditions will be achieved and the grants vest at their maximum level of 200%:

NEO	Maximum Value Performance-Based RSU Awards 2016-2018 Cycle ($)
William J. Merritt	2,326,615
Richard J. Brezski	705,081
Scott A. McQuilkin	1,107,938
James J. Nolan	755,397
Lawrence F. Shay	1,107,938

(4) Amounts reported reflect the value recognized for financial statement reporting purposes in accordance with FASB ASC Topic 718.

(5) Amounts reported for fiscal 2016 include the value of payouts earned under the company's STIP.

(6) The following table details each component of the "All Other Compensation" column in the Summary Compensation Table for fiscal 2016:

NEO	401(k) Plan Matching Contributions ($)(a)	Supplemental LTD ($)(b)	Deferred Compensation Plan Matching Contributions ($)(c)	Annual Inventor Award ($)(d)	Total ($)
William J. Merritt	7,950	5,005	65,970	—	78,925
Richard J. Brezski	7,950	3,495	18,752	—	30,197
Scott A. McQuilkin	7,950	5,390	12,450	—	25,790
James J. Nolan	7,950	5,304	24,057	2,000	39,311
Lawrence F. Shay	7,950	4,259	33,459	—	45,668

(a) Amounts represent company matching contributions to all employees, including the NEOs, on 50% of the first 6% of the employee's eligible salary and annual bonus contributed to the 401(k) Plan, up to the maximum amount permitted by the Internal Revenue Service.

(b) Amounts represent premium amounts paid by the company for supplemental executive long-term disability insurance for the benefit of such NEO.

(c) Amounts represent company matching contributions made pursuant to the company's nonqualified deferred compensation plan for NEO contributions. For more information, see "Nonqualified Deferred Compensation."

(d) Amount represents inventor award compensation received by Mr. Nolan in 2016 pursuant to the company's inventor award program.

Grants of Plan-Based Awards in 2016

The following table summarizes the grants of (i) cash awards under the STIP (STIP) and (ii) options (OPT), time-based RSU awards (TRSU) and performance-based RSU awards (PSU) under the 2016-2018 cycle of the LTCP, each made to the NEOs during the year ended December 31, 2016. Each of these types of awards is discussed in “Compensation Discussion and Analysis” above.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)						
Name	Type of Award	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)(3)
William J. Merritt	STIP		155,000	620,000	1,240,000							
	OPT	3/30/2016								27,540	54.93	385,000
	TRSU	3/30/2016							7,060			387,806
	PSU	3/30/2016				10,589	21,178	42,356				0
Richard J. Brezski	STIP		57,750	231,000	462,000							
	OPT	3/30/2016								12,518	54.93	175,000
	TRSU	3/30/2016							3,209			176,270
	PSU	3/30/2016				3,209	6,418	12,836				0
Scott A. McQuilkin	STIP		77,813	311,250	622,500							
	OPT	3/30/2016								19,671	54.93	275,000
	TRSU	3/30/2016							5,043			277,012
	PSU	3/30/2016				5,042	10,085	20,170				0
James J. Nolan	STIP		72,188	288,750	577,500							
	OPT	3/30/2016								13,413	54.93	187,500
	TRSU	3/30/2016							3,438			188,849
	PSU	3/30/2016				3,438	6,876	13,752				0
Lawrence F. Shay	STIP		82,078	328,313	656,625							
	OPT	3/30/2016								19,671	54.93	275,000
	TRSU	3/30/2016							5,043			277,012
	PSU	3/30/2016				5,042	10,085	20,170				0

(1) Amounts reported represent the potential threshold, target and maximum STIP payouts depending on the level of performance achieved under the STIP for fiscal 2016. Such amounts ranged from 25% of the target payout, representing the minimum percentage of the STIP executive incentive pool that would be funded upon achievement of a certain level of performance against the related financial goal, to 200% of the target payout, representing the maximum payout possible under the STIP. For all NEOs, the actual amount earned for fiscal 2016, which is reported in the Summary Compensation Table above, was based on the company’s achievement of the 2016 financial and strategic corporate goals established by the Compensation Committee in March 2016 and departmental and individual performance of the NEO during 2016.

(2) Amounts reported represent the potential threshold, target and maximum number of performance-based RSUs the NEO could earn pursuant to his performance-based RSU award under the 2016-2018 cycle. 100% achievement of the performance goal or goals results in a 100% payout of the associated target amounts. For each 1% change above or below 100% achievement, the actual award amount is adjusted by 2.5 percentage points, with a threshold payout of 50% of target and a maximum payout of 200% of target. Accordingly, for performance that falls below 80% achievement, no performance-based RSUs would vest.

(3) Grant date fair value of RSU awards is determined in accordance with FASB ASC Topic 718. The TRSU awards granted in 2016 are scheduled to vest in full on March 15, 2019. Amounts reported for option grants reflect the value recognized for financial statement reporting purposes in accordance with FASB ASC Topic 718. For fiscal 2016, the weighted-average assumptions underlying the valuation of the stock options under the Black-Scholes option pricing model are as follows: expected life of 4.5 years; volatility of 33.11%; a risk-free interest rate of 1.29%; and a dividend yield of 1.46%. Amounts reported for performance-based

RSUs are based upon the probable outcome of the performance conditions, consistent with the estimate of aggregate compensation cost to be recognized over the service period determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures. As of the date of grant, the probable outcome of the performance condition for the 2016-2018 cycle did not meet the threshold for recording compensation cost, and, as a result, the grant date value of the performance-based RSU awards was $0. Accordingly, there is no value reported for the performance-based RSUs granted in 2016.

Outstanding Equity Awards at 2016 Fiscal Year End

The following table sets forth information concerning outstanding option and stock awards of the NEOs as of December 31, 2016.

		Option Awards					Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(5)
William J. Merritt	1/18/13	22,085	—	—	44.19	1/18/20				
	3/15/14	25,105	12,553	—	30.69	3/15/21				
	3/15/14						13,383	1,222,563		
	3/15/14(6)								26,766	2,445,127
	3/15/15	8,097	16,194	—	52.85	3/15/22				
	3/15/15						7,649	698,745		
	3/15/15(7)								15,297	1,397,398
	3/30/16	—	27,540	—	54.93	3/30/23				
	3/30/16						7,134	651,780		
	3/30/16(8)								21,402	1,955,155
Richard J. Brezski	1/18/13	7,362	—	—	44.19	1/18/20				
	3/15/14	11,158	5,579	—	30.69	3/15/21				
	3/15/14						5,948	543,435		
	3/15/14(6)								11,896	1,086,776
	3/15/15	3,598	7,198	—	52.85	3/15/22				
	3/15/15						3,400	310,595		
	3/15/15(7)								6,799	621,097
	3/30/16	—	12,518	—	54.93	3/30/23				
	3/30/16						3,243	296,255		
	3/30/16(8)								6,486	592,510
Scott A. McQuilkin	1/18/13	11,042	—	—	44.19	1/18/20				
	3/15/14	15,940	7,970	—	30.69	3/15/21				
	3/15/14						8,497	776,228		
	3/15/14(6)								16,994	1,552,456
	3/15/15	5,141	10,282	—	52.85	3/15/22				
	3/15/15						4,856	443,667		
	3/15/15(7)								9,712	887,241
	3/30/16	—	19,671	—	54.93	3/30/23				
	3/30/16						5,096	465,570		
	3/30/16(8)								10,192	931,048
James. J. Nolan	1/18/13	8,834	—	—	44.19	1/18/20				
	3/15/14	9,564	4,782	—	30.69	3/15/21				
	3/15/14						5,098	465,774		
	3/15/14(6)								10,197	931,549
	3/15/15	3,084	6,170	—	52.85	3/15/22				
	3/15/15						2,914	266,238		
	3/15/15(7)								5,827	532,382
	3/30/16	—	13,413	—	54.93	3/30/23				
	3/30/16						3,474	317,396		
	3/30/16(8)								6,949	634,793

Name	Grant Date	Option Awards: Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Stock Awards: Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(5)
Lawrence F. Shay	1/18/13	14,723	—	—	44.19	1/18/20				
	3/15/14	15,940	7,970	—	30.69	3/15/21				
	3/15/14						8,497	776,228		
	3/15/14(6)								16,994	1,552,456
	3/15/15	5,141	10,282	—	52.85	3/15/22				
	3/15/15						4,856	443,667		
	3/15/15(7)								9,712	887,241
	3/30/16	—	19,671	—	54.93	3/30/23				
	3/30/16						5,096	465,570		
	3/30/16(8)								10,192	931,048

(1) Amounts reported represent awards of options under the LTCP. All options vest annually, in three equal installments, beginning on the first anniversary of the grant date.

(2) All awards made on March 15, 2014 are time-based RSUs granted pursuant to the 2014-2016 cycle that vested in full on March 15, 2017. All awards made on March 15, 2015 are time-based RSUs granted pursuant to the 2015-2017 cycle and are scheduled to vest in full on March 15, 2018. All awards made on March 30, 2016 are time-based RSUs granted pursuant to the 2016-2018 cycle and are scheduled to vest in full on March 15, 2019.

(3) Values reported were determined by multiplying the number of unvested time-based RSUs by $91.35, the closing price of our common stock on December 30, 2016, the last trading day in 2016 (plus cash in lieu of a fractional share).

(4) Amounts reported were based on target performance measures and represent awards of performance-based RSUs made under the LTCP.

(5) Values reported were based on target performance measures and determined by multiplying the number of unvested performance-based RSUs by $91.35, the closing price of our common stock on December 30, 2016, the last trading day in 2016 (plus cash in lieu of a fractional share).

(6) Performance-based RSU award granted pursuant to the 2014-2016 cycle, which was scheduled to vest on March 15, 2017 provided that the Compensation Committee had determined that the threshold level of performance had been achieved with respect to the goal associated with the cycle. As discussed above in "Compensation Discussion and Analysis," the Compensation Committee determined that a total achievement level of at least approximately 160% had been met with respect to the goal for this cycle, resulting in a payout of 200% of the target performance-based RSU award.

(7) Performance-based RSU award granted for the performance cycle that began on January 1, 2015, and runs through December 31, 2017 (the "2015-2017 cycle"), which is scheduled to vest on March 15, 2018 provided that the Compensation Committee has determined that the threshold level of performance has been achieved with respect to the goals associated with the cycle.

(8) Performance-based RSU award granted pursuant to the 2016-2018 cycle, which is scheduled to vest on March 15, 2019 provided that the Compensation Committee has determined that the threshold level of performance has been achieved with respect to the goals associated with the cycle.

Option Exercises and Stock Vested in 2016

The following table sets forth information, on an aggregated basis, concerning stock options exercised and stock awards vested during 2016 for the NEOs.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)(1)	Value Realized on Vesting ($)(2)
William J. Merritt	—	—	8,816	388,121
Richard J. Brezski	—	—	3,971	173,948
Scott A. McQuilkin	—	—	4,408	194,061
James J. Nolan	—	—	3,526	155,230
Lawrence F. Shay	—	—	5,877	258,732

(1) Includes dividend equivalents accrued and paid out in additional shares of common stock upon the vesting of the underlying awards.

(2) Amounts reported represent the total pre-tax value realized upon the vesting of RSUs (number of shares vested times the closing price of our common stock on the vesting date) plus cash in lieu of a fractional share.

Nonqualified Deferred Compensation

In 2013, the company introduced a nonqualified deferred compensation plan to complement the 401(k) Plan. The IRS imposes limits on the amounts that an employee may contribute annually to a 401(k) plan account. The deferred compensation plan provides the company's directors and designated select group of highly compensated employees, including the NEOs, with an opportunity to set aside additional compensation for their retirement. Pursuant to the terms of the deferred compensation plan, each eligible employee, including each NEO, may elect to defer base salary and STIP payouts, and non-employee members of the Board of Directors may elect to defer Board fees, in each case on a pre-tax basis and up to a maximum amount selected annually by the Compensation Committee.

An employee participant or director may allocate deferrals to one or more deemed investments under the deferred compensation plan. The amount of earnings (or losses) that accrue to a participant's account attributable to deferrals depends on the performance of investment alternatives selected by the participant. The deemed investment options are currently similar to those available under the 401(k) Plan. However, a participant's election of investment alternatives as measuring devices for determining the value of a participant's account does not represent actual ownership of, or any ownership rights in or to, the investments to which the investment alternatives refer, nor is the company in any way bound or directed to make actual investments corresponding to such deemed investments.

The company will not make any matching or discretionary contributions to the accounts of directors. However, the company may, but is not required to, make matching or discretionary contributions in cash to the accounts of employee participants. Any such company contributions are subject to a vesting schedule as determined by the Compensation Committee. The specific terms for each plan year, including eligible compensation, minimum and maximum deferral amounts (by percentage of compensation) and matching terms, are determined on an annual basis by the Compensation Committee.

Employee participant and director account payment obligations are payable in cash on a date or dates selected by the employee participant or director or upon certain specified events such as termination of employment, death or disability, subject to change in certain specified circumstances. An employee participant or director may elect to defer to a single lump-sum payment of his or her account, or may elect payments over time.

For the 2016 plan year, eligible employees could elect to defer 6%, 10%, 20%, 30% or 40% of their base salary and 25%, 50%, 75% or 100% of their STIP. Matching contributions are determined on a combined plan basis taking into account deferred amounts under both the 401(k) Plan and the deferred compensation plan. Deferral elections had to be made by December 31, 2015. For 2016, a participant's combined match for the 401(k) and deferred compensation plan was 50% of the combined deferrals up to 6% of the participant's eligible deferrals. Matching contributions are deemed to be notionally invested in the InterDigital Stock Fund and are not eligible for transfer to other investment options. Matching contributions vest ratably based on years of service of the participant over three years in one-third increments, with the first vesting occurring after one year of service. Each NEO participating in the plan had at least three years of service with the company prior to the adoption of this plan; therefore, all will be immediately and fully vested in any matching contributions. Matching contributions are made once annually after the end of the year.

The following table sets forth the relevant information regarding the deferred compensation plan for 2016.

Name	Executive Contributions in Last FY ($)(1)	Registrant Contributions in Last FY ($)(2)	Aggregate Earnings (Losses) in Last FY ($)(3)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)(4)
William J. Merritt	523,000	65,970	129,028	—	1,549,702
Richard J. Brezski	37,504	18,752	18,247	—	146,522
Scott A. McQuilkin	24,900	12,450	28,084	—	183,546
James J. Nolan	671,779	24,057	88,477	—	1,258,911
Lawrence F. Shay	646,383	33,459	126,600	—	1,728,666

(1) Contributions include deferred 2015 STIP amounts (which were paid in 2016), deferred 2016 salary amounts and certain deferred 2016 STIP amounts (corresponding to the portion of the 2016 STIP amount paid in 2016; the remaining portion of the payouts were not made until 2017). For Messrs. Merritt, Brezski, McQuilkin and Shay, $62,000, $37,504, $24,900 and $175,100, respectively, were included in the "Salary" column of the Summary Compensation Table for fiscal 2016, and for Messrs. Merritt, Nolan and Shay, $186,000, $338,357 and $196,988, respectively, were included in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table for fiscal 2016.

(2) For the 2016 plan year, the company matched deferrals up to 50% of the first 6% of the participant's base salary and annual bonus, determined on a combined plan basis taking into account amounts deferred under both the 401(k) Plan and the deferred compensation plan during the 2016 calendar year. The amounts disclosed in this column reflect matching contributions (made by the company in 2017) for 2016 NEO deferral contributions and are included in the "All Other Compensation" column of the Summary Compensation Table for fiscal 2016. Because a portion of the 2016 STIP payments were made in 2017, the deferral amount related to that portion of the 2016 STIP payment is considered a 2017 contribution and will be matched after year-end 2017.

(3) The company does not pay guaranteed, above-market or preferential earnings on deferred compensation; therefore, the amounts in this column are not included in the Summary Compensation Table. Balances include earnings or losses credited to the NEO's account from notional investment alternatives elected by the NEO from alternatives that are similar to those available to participants in the 401(k) Plan.

(4) Aggregate balance consists of employee contributions made in 2013 through 2016, company matching contributions for 2013 through 2016 and notional investment earnings through 2016.

Set forth below are the amounts reported in the aggregate balance that were previously reported in the "Salary," "Non-Equity Incentive Plan Compensation" and "All Other Compensation" columns of the Summary Compensation Table for fiscal 2013, 2014 and 2015, in the aggregate:

Name	Salary ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)
William J. Merritt	277,347	735,977	70,941
Richard J. Brezski	34,231	19,500	17,672
Scott A. McQuilkin	24,623	67,750	21,608
James J. Nolan	—	788,362	19,433
Lawrence F. Shay	411,301	725,759	34,213

The deferred compensation plan was implemented in 2013; therefore, there are no amounts included that were reported as compensation to any NEO prior to 2013.

Potential Payments upon Termination or Change in Control

Employment Agreements

As discussed above in "Compensation Discussion and Analysis," each NEO has an employment agreement with the company that provides for severance pay and benefits, among other things, in certain events of termination of employment, as described below.

Time-Based RSU, Performance-Based RSU, Option and STIP Awards

If an NEO's employment terminates due to disability or death or the NEO is terminated by the company without cause (as described below), the NEO would be entitled to pro-rata vesting of all time-based RSUs. For time-based RSU awards, the pro-rata portion of each grant is determined by multiplying the total number of RSUs by a fraction equal to the number of company payroll periods during the vesting period for which the NEO was employed by the total number of payroll periods during the vesting period.

If an NEO's employment terminates for any reason prior to the second anniversary of the grant date of an award of performance-based RSUs, the NEO would forfeit eligibility to receive any payout of such performance-based RSUs. If, however, the NEO's employment terminates subsequent to the second anniversary of the grant date of a performance-based RSU award, in the event of disability or death or termination by the company without cause, the NEO would be eligible to earn a pro-rata portion of such performance-based RSU award. For such awards, the pro-rated amount is determined by multiplying the number of RSUs that would otherwise have vested (based on actual performance over the performance period) by a fraction equal to the portion of the vesting period that had transpired prior to the cessation of employment.

If an NEO is terminated by the company without cause, the NEO would be entitled to pro-rata vesting of options granted under the LTCP. The pro-rata portion of each option grant is determined by multiplying the total number of options by a fraction equal to the number of company payroll periods during the vesting period for which the NEO was employed by the total number of payroll periods during the vesting period.

Pursuant to the terms of their respective employment agreements, in the event of his termination without "cause" or his resignation for "good reason," in each case, on or within one year following a "change in control" of the company, Messrs. Merritt, McQuilkin and Shay each would be entitled to receive an amount equal to 200% of his target payout under the STIP and Messrs. Brezski and Nolan each would be entitled to receive an amount equal to 100% of his target payout under the STIP.

Pursuant to the terms of the LTCP and STIP awards, the NEO forfeits any such awards if his employment terminates for cause.

Any rights that the NEOs would have under these awards in connection with other termination scenarios are discussed below in connection with the relevant scenario.

Deferred Compensation

If an NEO's employment terminates due to retirement or disability or the NEO voluntarily terminates his employment with the company for any reason, the NEO would receive a distribution of his deferred amounts under the deferred compensation plan, including the vested portion of any company matching or discretionary contributions, in accordance with the NEO's applicable distribution elections. In the event of a termination due to death, the NEO would receive the balance of his deferred compensation account in a lump sum as soon as administratively practicable. In the event the NEO is involuntarily terminated by the company, the NEO would receive the balance of his deferred compensation account in a lump sum within 90 days of the date of termination. In the event of a change in control, as defined by the deferred compensation plan, the NEO would receive a distribution of his account balance in a lump sum as soon as administratively practicable, but in no event later than 30 days from the effective date of the change in control.

Termination Scenarios

The following is a discussion of the various termination scenarios that would require us to make payments to the NEOs. Unless different treatment is indicated below, please see "Time-Based RSU, Performance-Based RSU, Option and STIP Awards" above for the treatment of the LTCP and STIP awards upon termination under each of the following termination scenarios.

Termination Due to Retirement

The retirement of an NEO would trigger the distribution of such NEO's deferred amounts under the deferred compensation plan in accordance with his applicable distribution elections.

Termination Due to Death

In the event of the termination of an NEO's employment due to death, the company would pay to the NEO's executors, legal representatives or administrators an amount equal to the accrued but unpaid portion of the NEO's base salary. The NEO's executors, legal representatives or administrators would be entitled to receive the payment prescribed under any death or disability benefits plan in which the NEO was a participant as our employee, and to exercise any rights afforded under any compensation or benefit plan then in effect.

Termination for Cause

Pursuant to the terms of the NEO employment agreements, the company may terminate the employment of any NEO at any time for "cause" which is generally defined in the employment agreements to include: (a) acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of the NEO with respect to the NEO's obligations or otherwise relating to the business of the company; (b) the NEO's material breach of his employment agreement or the company's nondisclosure and assignment of ideas agreement; (c) the NEO's conviction or entry of a plea of nolo contendere for fraud, misappropriation or embezzlement, any felony, or any crime of moral turpitude; or (d) the NEO's willful neglect of duties as determined in the sole and exclusive discretion of the Board. In the event of such a termination, the NEO would be entitled to receive any earned but unpaid base salary and any accrued but unused paid time off, in each case as of the date of the termination (together, the "Standard Entitlements").

Termination Without Cause

Pursuant to the terms of the NEO employment agreements, the company may terminate the employment of any NEO at any time, for any reason, without cause upon 30 days prior written notice to the NEO. In the event of a termination without cause, the NEO would be entitled to receive the Standard Entitlements. In addition, provided he executes a separation agreement in a form acceptable to the company (which includes, among other things, a broad release of all claims against the company and a non-disparagement provision) (a "Separation Agreement"), the NEO would be entitled to receive: (i) severance in an amount equal to one and a half times his base salary then in effect (in the case of Mr. Merritt, two and a half times his base salary then in effect) paid over a period of twelve months (eighteen months in the case of Mr. Merritt) commencing 60 days after his date of termination; (ii) health coverage on terms and conditions comparable to those most recently provided to him for the period of one year (18 months in the case of Mr. Merritt) commencing upon the date of termination; and (iii) outplacement services in an amount not to exceed $10,000, paid by the company directly to the entity providing such services.

Termination by the NEO

Pursuant to the terms of the NEO employment agreements, each NEO may terminate his employment with us at any time for "good reason," which means the NEO's resignation of employment with the company follows the occurrence of one or more of the following, in each case without the NEO's consent: (i) a material diminution in the NEO's base salary or in the NEO's target bonus opportunity under the STIP as in effect for the year in which the termination occurs; (ii) a material diminution in the NEO's title, authority, duties or responsibilities; (iii) a material failure to comply with the compensation provision of the NEO's employment agreement; (iv) relocation of the NEO's primary office more than 50 miles from the NEO's current office; or (v) any other action or inaction that constitutes a material breach by the company of the employment agreement or the company's nondisclosure and assignment of ideas agreement. In the event that an NEO terminates his employment for good reason, the NEO would be entitled to receive the Standard Entitlements. In addition, provided he executes a Separation Agreement, the NEO would be entitled to receive: (i) severance in an amount equal to one and a half times his base salary then in effect (in the case of Mr. Merritt, two and a half times his base salary then in effect) paid over a period of eighteen months; (ii) health coverage on terms and conditions comparable to those most recently provided to him for the period of one year (18 months in the case of Mr. Merritt) commencing upon the date of termination; and (iii) outplacement services in an amount not to exceed $10,000, paid by the company directly to the entity providing such services.

In addition, pursuant to the terms of the employment agreements, each NEO can terminate his employment with us without good reason, provided that the date of termination is at least 30 days after the date he gives written notice of the termination to the company. In the event that an NEO terminates his employment without good reason, he would be entitled to receive the Standard Entitlements.

Termination Following a Change in Control

Pursuant to the terms of the NEO employment agreements, if the company terminates an NEO other than for cause or such NEO terminates his employment with us for good reason, in each case within one year following a change in control of the company, he would be entitled to receive the Standard Entitlements. In addition, provided that he executes a Separation Agreement, the NEO would be entitled to (i) severance in an amount equal to (a) for Messrs. Merritt, McQuilkin and Shay, two times the sum of his base salary and target bonus under the STIP then in effect and (b) for Messrs. Brezski and Nolan, two times the base salary then in effect and one times the bonus target under the STIP then in effect, in each case, paid in a lump sum 60 days after his date of termination; (ii) an amount equal to the cost of continued health coverage on terms and conditions comparable to those most recently provided to him for the period of twenty-four months, paid in a lump sum 60 days after date of termination and (iii) outplacement services in an amount not to exceed $10,000, paid by the company directly to the entity providing such services.

For this purpose, under the NEO employment agreements, "change in control" of the company generally means the acquisition (including by merger or consolidation, or by our issuance of securities) by one or more persons, in one transaction or a series of related transactions, of more than 50% of the voting power represented by our outstanding stock on the date of the NEO's employment agreement, or a sale of substantially all of our assets.

If the company terminates an NEO other than for cause or such NEO terminates his employment with us for good reason, in each case within one year following a change in control of the company, (i) the NEO would be entitled to the early vesting of all outstanding performance-based RSU awards at target and (ii) all outstanding stock option and time-based RSU awards would become fully vested.

Change in Control without Termination

In the event of a change in control without termination, each outstanding performance-based RSU award would be deemed to have been earned at target as of the effective date of the change in control; however, the award would remain subject to any employment and time-based vesting conditions.

Post-Termination Obligations

Each of the NEOs is bound by certain confidentiality obligations, which extend indefinitely, and, pursuant to the terms of their respective employment agreements, by certain non-competition and non-solicitation covenants (i) for a period of (a) one year for Mr. Merritt following termination of employment by the company for any reason or resignation by Mr. Merritt for any reason, and (b) for a period up to a maximum of one year for all other NEOs, depending on the nature of the termination and whether the company pays severance to the NEO following termination; or (ii) two years following termination of employment by the company without cause or resignation by the NEO for good reason, in each case, on or within twelve months after a change in control. In addition, each of the NEOs is bound by certain covenants protecting our right, title and interest in and to certain intellectual property that either has been or is being developed or created in whole or in part by the NEO.

Taxes

In the event that the payments made to each NEO upon termination constitute "parachute payments" pursuant to Section 280G of the Code, the NEO employment agreements provide that either (i) the payments will be reduced to such lesser amount that would result in no amount being subject to excise tax or (ii) the payments will be made in full, whichever produces the larger after-tax net benefit to the NEO. The employment agreements do not provide for an excise tax "gross-up."

Term of Employment

The employment agreement with each NEO provides for an initial employment term of two years, which term automatically renews for additional successive one-year periods (unless either party provides notice of non-renewal at least 90 days before the expiration of the term (as extended by any renewal period)). In the event that a change in control occurs at any time during the term, then the term shall extend for an additional year and 90 days from the date of the change in control, provided such extension serves to lengthen the term that would otherwise have been in place.

Potential Payments upon Termination or Change in Control

The following tables reflect the potential payments and benefits that would be provided to each NEO upon: (i) termination due to disability, (ii) retirement, (iii) death, (iv) termination without cause, (v) termination by the NEO for good reason, (vi) termination upon a change in control of the company (by the company without cause or by the NEO for good reason) within one year of a change in control and (vii) change in control of the company

without a termination. The amounts shown assume that the termination (or the change in control in the case of (vii)) was effective as of December 30, 2016, the last business day of 2016, and the price per share used to calculate the value of the company's stock awards was $91.35, the per share closing market price of our common stock as of that date. The amounts reflected are estimates of the amounts that would have been paid to the NEOs upon their termination. In addition, note that the tables below do not take into account the cutback provision described above under "Termination Scenarios — Taxes;" as a result, the actual amounts paid could be lower than what is presented. The actual amounts to be paid can be determined only at the time the events described above actually occur.

William J. Merritt

Assuming the following events occurred on December 30, 2016, Mr. Merritt's payments and benefits would have an estimated value of:

	Severance ($)	Long-Term Compensation Awards ($)	Deferred Compensation ($)(5)	Payments under Executive Life Insurance Program ($)(6)	Payments under Executive Long-Term Disability Program ($)(7)	Welfare Benefits ($)	Out-placement Services ($)(10)
Disability	—	6,221,807(3)	1,549,702	—	20,000	—	—
Retirement	—	—	1,549,702	—	—	—	—
Death	—	6,221,807(3)	1,549,702	300,000	—	—	—
Without Cause	1,550,000(1)	7,549,647(3)	1,549,702	—	—	15,515(8)	10,000
Voluntary Resignation for Good Reason	1,550,000(1)	—	1,549,702	—	—	15,515(8)	10,000
Change in Control (Termination by Us Without Cause or by Mr. Merritt for Good Reason, within 1 year)	2,480,000(2)	13,203,840(4)	1,549,702	—	—	20,687(9)	10,000
Change in Control (Without Termination)	—	—	1,549,702	—	—	—	—

(1) This amount represents severance equal to two and a half times Mr. Merritt's base salary of $620,000, which he is entitled to receive once his Separation Agreement becomes effective and is payable in equal installments over a period of 18 months after the date of his termination.

(2) This amount represents severance equal to two times the sum of Mr. Merritt's base salary of $620,000 and target 2016 STIP payout of $620,000. He is entitled to this amount at the date of his termination if his termination (by us without cause or by him for good reason) occurred within one year following a change in control, in a lump sum after his Separation Agreement becomes effective.

(3) This amount represents the value, at December 30, 2016, of Mr. Merritt's time-based and performance-based RSUs granted under the 2014-2016 cycle, time-based RSUs granted under the 2015-2017 cycle and time-based RSUs granted under the 2016-2018 cycle that would vest upon termination due to disability, death or termination by the company without cause. Pursuant to the terms of the awards, Mr. Merritt would forfeit eligibility to receive any payout of performance-based RSUs under the 2015-2017 and 2016-2018 cycles since a termination on December 30, 2016 would be prior to the second anniversary of the grant date for such awards. For time-based RSU awards, the amounts were prorated based on the portion of the vesting period that would have transpired prior to cessation of employment. For the performance-based RSU award granted under the 2014-2016 cycle (the performance period for which ended December 31, 2016), the amount reflects the actual payout of 200% of target (based on actual performance over the performance period) prorated based on the portion of the vesting period that would have transpired prior to cessation of employment. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown

is comprised of: (a) $1,128,521, representing the value of 12,353 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (b) $4,514,082, representing the value of 49,415 performance-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share; (c) $412,081, representing the value of 4,511 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); and (d) $167,123, representing the value of 1,829 time-based RSUs granted under the 2016-2018 cycle (plus cash in lieu of a fractional share). In addition, in the event of a termination by the company without cause, this amount also includes the value of Mr. Merritt's options granted under the 2014-2016, 2015-2017, and 2017-2018 cycles that would vest. Pursuant to the terms of the awards, such options would vest on a pro rata basis, resulting in the accelerated vesting of 11,588, 9,551 and 7,062 options, with a value of $702,928, $367,714 and $257,198, respectively. The value of accelerated options is the aggregate spread between the closing stock price on December 30, 2016 of $91.35 and the exercise price of the options.

(4) This amount represents the value, at December 30, 2016, of Mr. Merritt's time-based RSUs, performance-based RSUs and option awards granted under the 2014-2016, 2015-2017 and 2016-2018 cycles that would vest upon termination (by us without cause or by him for good reason) within one year following a change in control. All performance-based RSU awards would be paid out at target; however, for the performance-based RSU award granted under the 2014-2016 cycle (the performance period for which ended December 31, 2016), the amount reflects the actual payout of 200% of target. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $1,222,564, representing the value of 13,383 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (b) $4,890,256, representing the value of 53,533 performance-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (c) $698,746, representing the value of 7,649 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (d) $1,397,398, representing the value of 15,297 performance-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (e) $651,780, representing the value of 7,134 time-based RSUs granted under the 2016-2018 cycle (plus cash in lieu of a fractional share); (f) $1,955,155, representing the value of 21,402 performance-based RSUs granted under the 2016-2018 cycle (plus cash in lieu of a fractional share); (g) $761,465, representing the value of 12,553 options granted under the 2014-2016 cycle; (h) $623,469, representing the value of 16,194 options granted under the 2015-2017 cycle and (i) $1,003,007, representing the value of 27,540 options granted under the 2016-2018 cycle. The value of accelerated options is the aggregate spread between the closing stock price of $91.35 on December 30, 2016 and the exercise price of the options.

(5) This amount represents the balance, at December 30, 2016, of Mr. Merritt's deferred compensation plan account (including matching contributions), which is payable (a) upon retirement, disability or his voluntary termination of employment with the company for any reason, a portion of which would be paid out in a lump sum within 90 days of the date of termination and a portion of which would be paid out in annual installments over five years, as applicable pursuant to Mr. Merritt's deferral elections, (b) upon death, in a lump sum as soon as administratively practicable following his death, (c) upon an involuntary termination by the company, in a lump sum within 90 days of the date of termination and (d) upon a change in control, in a lump sum as soon as administratively practicable, but in no event later than 30 days from the effective date of the change in control.

(6) This amount represents the payment prescribed under our basic term life insurance program, calculated as follows: 1.5 times base salary, up to a maximum of $300,000.

(7) This amount represents the monthly benefit that would become payable to Mr. Merritt under our executive long-term disability plan in the event of his termination due to disability on December 30, 2016, calculated as follows: 60% of his monthly earnings (i.e., pre-tax base salary and annual bonus), up to $10,000, and a supplemental monthly payment of up to $10,000. Monthly benefits would be payable until the earlier of (a) the date he ceases to be totally disabled or (b) his 65th birthday.

(8) This amount represents the value of health coverage pursuant to COBRA for a period of 18 months after termination on terms and conditions comparable to those most recently provided to Mr. Merritt as of December 30, 2016 pursuant to his employment agreement.

(9) This amount represents the value of health coverage pursuant to COBRA for a period of 24 months after termination on terms and conditions comparable to those most recently provided to Mr. Merritt as of December 30, 2016 pursuant to his employment agreement.

(10) This amount represents the maximum amount payable by the company for outplacement services in the event of termination by the company without cause or termination by the NEO for good reason.

Richard J. Brezski

Assuming the following events occurred on December 30, 2016, Mr. Brezski's payments and benefits would have an estimated value of:

	Severance ($)	Long-Term Compensation Awards ($)	Deferred Compensation ($)(5)	Payments under Executive Life Insurance Program ($)(6)	Payments under Executive Long-Term Disability Program ($)(7)	Welfare Benefits ($)	Out-placement Services ($)(10)
Disability	—	2,767,125(3)	146,522	—	20,000	—	—
Retirement	—	—	146,522	—	—	—	—
Death	—	2,767,125(3)	146,522	300,000	—	—	—
Without Cause	577,500(1)	3,359,865(3)	146,522	—	—	17,176(8)	10,000
Voluntary Resignation for Good Reason	577,500(1)	—	146,522	—	—	17,176(8)	10,000
Change in Control (Termination by Us Without Cause or by Mr. Brezski for Good Reason, within 1 year)	1,001,000(2)	5,608,898(4)	146,522	—	—	34,351(9)	10,000
Change in Control (Without Termination)	—	—	146,522	—	—	—	—

(1) This amount represents severance equal to one and a half times Mr. Brezski's base salary of $385,000, which he is entitled to receive once his Separation Agreement becomes effective and is payable in equal installments over a period of 12 months after the date of his termination.

(2) This amount represents severance equal to the sum of two times Mr. Brezski's base salary of $385,000 and one times his target 2016 STIP payout of $231,000. He is entitled to this amount at the date of his termination if his termination (by us without cause or by him for good reason) occurred within one year following a change in control, in a lump sum after his Separation Agreement becomes effective.

(3) This amount represents the value, at December 30, 2016, of Mr. Brezski's time-based and performance-based RSUs granted under the 2014-2016 cycle, time-based RSUs granted under the 2015-2017 cycle and time-based RSUs granted under the 2016-2018 cycle that would vest upon termination due to disability, death or termination by the company without cause. Pursuant to the terms of the awards, Mr. Brezski would forfeit eligibility to receive any payout of performance-based RSUs under the 2015-2017 and 2016-2018 cycles since a termination on December 30, 2016 would be prior to the second anniversary of the grant date for such awards. For time-based RSU awards, the amounts were prorated based on the portion of the vesting period that would have transpired prior to cessation of employment. For the performance-based RSU award granted under the 2014-2016 cycle (the performance period for which ended December 31, 2016), the amount reflects the actual payout of 200% of target (based on actual performance over the performance period) prorated based on the portion of the vesting period that would have transpired prior to cessation of employment. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $501,633, representing the value of 5,491 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (b) $2,006,357, representing the value of 21,963

performance-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share; (c) $183,172, representing the value of 2,005 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); and (d) $75,963, representing the value of 831 time-based RSUs granted under the 2016-2018 cycle (plus cash in lieu of a fractional share). In addition, in the event of a termination by the company without cause, this amount also includes the value of Mr. Brezski's options granted under the 2014-2016, 2015-2017, and 2017-2018 cycles that would vest. Pursuant to the terms of the awards, such options would vest on a pro rata basis, resulting in the accelerated vesting of 5,150, 4,245 and 3,210 options, with a value of $312,399, $163,433 and $116,908, respectively. The value of accelerated options is the aggregate spread between the closing stock price on December 30, 2016 of $91.35 and the exercise price of the options.

(4) This amount represents the value, at December 30, 2016, of Mr. Brezski's time-based RSUs, performance-based RSUs and option awards granted under the 2014-2016, 2015-2017 and 2016-2018 cycles that would vest upon termination (by us without cause or by him for good reason) within one year following a change in control. All performance-based RSU awards would be paid out at target; however, for the performance-based RSU award granted under the 2014-2016 cycle (the performance period for which ended December 31, 2016), the amount reflects the actual payout of 200% of target. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $543,436, representing the value of 5,948 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (b) $2,173,553, representing the value of 23,793 performance-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (c) $310,595, representing the value of 3,400 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (d) $621,097, representing the value of 6,799 performance-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (e) $296,255, representing the value of 3,243 time-based RSUs granted under the 2016-2018 cycle (plus cash in lieu of a fractional share); (f) $592,511, representing the value of 6,486 performance-based RSUs granted under the 2016-2018 cycle (plus cash in lieu of a fractional share); (g) $338,422, representing the value of 5,579 options granted under the 2014-2016 cycle; (h) $277,123, representing the value of 7,198 options granted under the 2015-2017 cycle and (i) $455,906, representing the value of 12,518 options granted under the 2016-2018 cycle. The value of accelerated options is the aggregate spread between the closing stock price of $91.35 on December 30, 2016 and the exercise price of the options.

(5) This amount represents the balance, at December 30, 2016, of Mr. Brezski's deferred compensation plan account (including matching contributions), which is payable (a) upon retirement, disability or his voluntary termination of employment with the company for any reason, in a lump sum within 90 days of the date of termination, (b) upon death, in a lump sum as soon as administratively practicable following his death, (c) upon an involuntary termination by the company, in a lump sum within 90 days of the date of termination and (d) upon a change in control in a lump sum as soon as administratively practicable, but in no event later than 30 days from the effective date of the change in control.

(6) This amount represents the payment prescribed under our basic term life insurance program, calculated as follows: 1.5 times base salary, up to a maximum of $300,000.

(7) This amount represents the monthly benefit that would become payable to Mr. Brezski under our executive long-term disability plan in the event of his termination due to disability on December 30, 2016, calculated as follows: 60% of his monthly earnings (i.e., pre-tax base salary and annual bonus), up to $10,000, and a supplemental monthly payment of up to $10,000. Monthly benefits would be payable until the earlier of (a) the date he ceases to be totally disabled or (b) his 65th birthday.

(8) This amount represents the value of health coverage pursuant to COBRA for a period of one year after termination on terms and conditions comparable to those most recently provided to Mr. Brezski as of December 30, 2016 pursuant to his employment agreement.

(9) This amount represents the value of health coverage pursuant to COBRA for a period of 24 months after termination on terms and conditions comparable to those most recently provided to Mr. Brezski as of December 30, 2016 pursuant to his employment agreement.

(10) This amount represents the maximum amount payable by the company for outplacement services in the event of termination by the company without cause or termination by the NEO for good reason.

Scott A. McQuilkin

Assuming the following events occurred on December 30, 2016, Mr. McQuilkin's payments and benefits would have an estimated value of:

	Severance ($)	Long-Term Compensation Awards ($)	Deferred Compensation ($)(5)	Payments under Executive Life Insurance Program ($)(6)	Payments under Executive Long-Term Disability Program ($)(7)	Welfare Benefits ($)	Out-placement Services ($)(10)
Disability	—	3,963,618(3)	183,546	—	20,000	—	—
Retirement	—	—	183,546	—	—	—	—
Death	—	3,963,618(3)	183,546	300,000	—	—	—
Without Cause	622,500(1)	4,827,060(3)	183,546	—	—	17,176(8)	10,000
Voluntary Resignation for Good Reason	622,500(1)	—	183,546	—	—	17,176(8)	10,000
Change in Control (Termination by Us Without Cause or by Mr. McQuilkin for Good Reason, within 1 year)	1,452,500(2)	8,204,402(4)	183,546	—	—	34,351(9)	10,000
Change in Control (Without Termination)	—	—	183,546	—	—	—	—

(1) This amount represents severance equal to one and a half times Mr. McQuilkin's base salary of $415,000, which he is entitled to receive once his Separation Agreement becomes effective and is payable in equal installments over a period of 12 months after the date of his termination.

(2) This amount represents severance equal to two times the sum of Mr. McQuilkin's base salary of $415,000 and target 2016 STIP payout of $311,250. He is entitled to this amount at the date of his termination if his termination (by us without cause or by him for good reason) occurred within one year following a change in control, in a lump sum after his Separation Agreement becomes effective.

(3) This amount represents the value, at December 30, 2016, of Mr. McQuilkin's time-based and performance-based RSUs granted under the 2014-2016 cycle, time-based RSUs granted under the 2015-2017 cycle and time-based RSUs granted under the 2016-2018 cycle that would vest upon termination due to disability, death or termination by the company without cause. Pursuant to the terms of the awards, Mr. McQuilkin would forfeit eligibility to receive any payout of performance-based RSUs under the 2015-2017 and 2016-2018 cycles since a termination on December 30, 2016 would be prior to the second anniversary of the grant date for such awards. For time-based RSU awards, the amounts were prorated based on the portion of the vesting period that would have transpired prior to cessation of employment. For the performance-based RSU award granted under the 2014-2016 cycle (the performance period for which ended December 31, 2016), the amount reflects the actual payout of 200% of target (based on actual performance over the performance period) prorated based on the portion of the vesting period that would have transpired prior to cessation of employment. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $716,518, representing the value of 7,843 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (b) $2,866,073, representing the value of 31,374 performance-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share; (c) $261,650, representing the value of 2,864 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); and (d) $119,377, representing the value of 1,306 time-based RSUs granted under

the 2016-2018 cycle (plus cash in lieu of a fractional share). In addition, in the event of a termination by the company without cause, this amount also includes the value of Mr. McQuilkin's options granted under the 2014-2016, 2015-2017, and 2017-2018 cycles that would vest. Pursuant to the terms of the awards, such options would vest on a pro rata basis, resulting in the accelerated vesting of 7,357, 6,064 and 5,044 options, with a value of $446,276, $233,464 and $183,702, respectively. The value of accelerated options is the aggregate spread between the closing stock price on December 30, 2016 of $91.35 and the exercise price of the options.

(4) This amount represents the value, at December 30, 2016, of Mr. McQuilkin's time-based RSUs, performance-based RSUs and option awards granted under the 2014-2016, 2015-2017 and 2016-2018 cycles that would vest upon termination (by us without cause or by him for good reason) within one year following a change in control. All performance-based RSU awards would be paid out at target; however, for the performance-based RSU award granted under the 2014-2016 cycle (the performance period for which ended December 31, 2016), the amount reflects the actual payout of 200% of target. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $776,228, representing the value of 8,497 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (b) $3,104,912, representing the value of 33,989 performance-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (c) $443,668, representing the value of 4,856 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (d) $887,241, representing the value of 9,712 performance-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (e) $465,570, representing the value of 5,096 time-based RSUs granted under the 2016-2018 cycle (plus cash in lieu of a fractional share); (f) $931,048, representing the value of 10,192 performance-based RSUs granted under the 2016-2018 cycle (plus cash in lieu of a fractional share); (g) $483,460, representing the value of 7,970 options granted under the 2014-2016 cycle; (h) $395,857, representing the value of 10,282 options granted under the 2015-2017 cycle and (i) $716,418, representing the value of 19,671 options granted under the 2016-2018 cycle. The value of accelerated options is the aggregate spread between the closing stock price of $91.35 on December 30, 2016 and the exercise price of the options.

(5) This amount represents the balance, at December 30, 2016, of Mr. McQuilkin's deferred compensation plan account (including matching contributions), which is payable (a) upon retirement, disability or his voluntary termination of employment with the company for any reason, in a lump sum within 90 days of the date of termination, (b) upon death, in a lump sum as soon as administratively practicable following his death, (c) upon an involuntary termination by the company, in a lump sum within 90 days of the date of termination and (d) upon a change in control in a lump sum as soon as administratively practicable, but in no event later than 30 days from the effective date of the change in control.

(6) This amount represents the payment prescribed under our basic term life insurance program, calculated as follows: 1.5 times base salary, up to a maximum of $300,000.

(7) This amount represents the monthly benefit that would become payable to Mr. McQuilkin under our executive long-term disability plan in the event of his termination due to disability on December 30, 2016, calculated as follows: 60% of his monthly earnings (i.e., pre-tax base salary and annual bonus), up to $10,000, and a supplemental monthly payment of up to $10,000. Monthly benefits would be payable until the earlier of (a) the date he ceases to be totally disabled or (b) 48 months from the commencement of benefits (since his benefits would have commenced under the plan after he reached age 61).

(8) This amount represents the value of health coverage pursuant to COBRA for a period of one year after termination on terms and conditions comparable to those most recently provided to Mr. McQuilkin as of December 30, 2016 pursuant to his employment agreement.

(9) This amount represents the value of health coverage pursuant to COBRA for a period of 24 months after termination on terms and conditions comparable to those most recently provided to Mr. McQuilkin as of December 30, 2016 pursuant to his employment agreement.

(10) This amount represents the maximum amount payable by the company for outplacement services in the event of termination by the company without cause or termination by the NEO for good reason.

James J. Nolan

Assuming the following events occurred on December 30, 2016, Mr. Nolan's payments and benefits would have an estimated value of:

	Severance ($)	Long-Term Compensation Awards ($)	Deferred Compensation ($)(5)	Payments under Executive Life Insurance Program ($)(6)	Payments under Executive Long-Term Disability Program ($)(7)	Welfare Benefits ($)	Out-placement Services ($)(10)
Disability	—	2,388,126(3)	1,258,911	—	20,000	—	—
Retirement	—	—	1,258,911	—	—	—	—
Death	—	2,388,126(3)	1,258,911	300,000	—	—	—
Without Cause	577,500(1)	2,921,327(3)	1,258,911	—	—	15,494(8)	10,000
Voluntary Resignation for Good Reason	577,500(1)	—	1,258,911	—	—	15,494(8)	10,000
Change in Control (Termination by Us Without Cause or by Mr. Nolan for Good Reason, within 1 year)	1,058,750(2)	5,095,807(4)	1,258,911	—	—	30,988(9)	10,000
Change in Control (Without Termination)	—	—	1,258,911	—	—	—	—

(1) This amount represents severance equal to one and a half times Mr. Nolan's base salary of $385,000, which he is entitled to receive once his Separation Agreement becomes effective and is payable in equal installments over a period of 12 months after the date of his termination.

(2) This amount represents severance equal to the sum of two times Mr. Nolan's base salary of $385,000 and one times his target 2016 STIP payout of $288,750. He is entitled to this amount at the date of his termination if his termination (by us without cause or by him for good reason) occurred within one year following a change in control, in a lump sum after his Separation Agreement becomes effective.

(3) This amount represents the value, at December 30, 2016, of Mr. Nolan's time-based and performance-based RSUs granted under the 2014-2016 cycle, time-based RSUs granted under the 2015-2017 cycle and time-based RSUs granted under the 2016-2018 cycle that would vest upon termination due to disability, death or termination by the company without cause. Pursuant to the terms of the awards, Mr. Nolan would forfeit eligibility to receive any payout of performance-based RSUs under the 2015-2017 and 2016-2018 cycles since a termination on December 30, 2016 would be prior to the second anniversary of the grant date for such awards. For time-based RSU awards, the amounts were prorated based on the portion of the vesting period that would have transpired prior to cessation of employment. For the performance-based RSU award granted under the 2014-2016 cycle (the performance period for which ended December 31, 2016), the amount reflects the actual payout of 200% of target (based on actual performance over the performance period) prorated based on the portion of the vesting period that would have transpired prior to cessation of employment. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $429,946, representing the value of 4,706 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (b) $1,719,784, representing the value of 18,826 performance-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share; (c) $157,012, representing the value of 1,718 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); and (d) $81,384, representing the value of 890 time-based RSUs granted under the 2016-2018 cycle (plus cash in lieu of a fractional share). In addition, in the event of a termination by the company without cause, this amount also includes the value of Mr. Nolan's options granted under the 2014-2016, 2015-2017, and 2017-2018 cycles that would vest. Pursuant to the terms of the awards, such options would vest on a pro rata basis, resulting in the accelerated vesting of 4,415, 3,639 and 3,440 options, with a value of $267,814, $140,102 and $125,285, respectively. The value of accelerated options is the aggregate spread between the closing stock price on December 30, 2016 of $91.35 and the exercise price of the options.

(4) This amount represents the value, at December 30, 2016, of Mr. Nolan's time-based RSUs, performance-based RSUs and option awards granted under the 2014-2016, 2015-2017 and 2016-2018 cycles that would vest upon termination (by us without cause or by him for good reason) within one year following a change in control. All performance-based RSU awards would be paid out at target; however, for the performance-based RSU award granted under the 2014-2016 cycle (the performance period for which ended December 31, 2016), the amount reflects the actual payout of 200% of target. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $465,775, representing the value of 5,098 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (b) $1,863,100, representing the value of 20,395 performance-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (c) $266,238, representing the value of 2,914 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (d) $532,382, representing the value of 5,827 performance-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (e) $317,397, representing the value of 3,474 time-based RSUs granted under the 2016-2018 cycle (plus cash in lieu of a fractional share); (f) $634,793, representing the value of 6,949 performance-based RSUs granted under the 2016-2018 cycle (plus cash in lieu of a fractional share); (g) $290,076, representing the value of 4,782 options granted under the 2014-2016 cycle; (h) $237,545, representing the value of 6,170 options granted under the 2015-2017 cycle and (i) $488,501, representing the value of 13,413 options granted under the 2016-2018 cycle. The value of accelerated options is the aggregate spread between the closing stock price of $91.35 on December 30, 2016 and the exercise price of the options.

(5) This amount represents the balance, at December 30, 2016, of Mr. Nolan's deferred compensation plan account (including matching contributions), which is payable (a) upon retirement, disability or his voluntary termination of employment with the company for any reason, a portion of which would be paid out in annual installments over five years beginning in 2020 and a portion of which would be paid out in annual installments over 10 years, as applicable pursuant to Mr. Nolan's deferral elections (b) upon death, in a lump sum as soon as administratively practicable following his death, (c) upon an involuntary termination by the company, in a lump sum within 90 days of the date of termination and (d) upon a change in control in a lump sum as soon as administratively practicable, but in no event later than 30 days from the effective date of the change in control.

(6) This amount represents the payment prescribed under our basic term life insurance program, calculated as follows: 1.5 times base salary, up to a maximum of $300,000.

(7) This amount represents the monthly benefit that would become payable to Mr. Nolan under our executive long-term disability plan in the event of his termination due to disability on December 30, 2016, calculated as follows: 60% of his monthly earnings (i.e., pre-tax base salary and annual bonus), up to $10,000, and a supplemental monthly payment of up to $10,000. Monthly benefits would be payable until the earlier of (a) the date he ceases to be totally disabled or (b) his 65th birthday.

(8) This amount represents the value of health coverage pursuant to COBRA for a period of one year after termination on terms and conditions comparable to those most recently provided to Mr. Nolan as of December 30, 2016 pursuant to his employment agreement.

(9) This amount represents the value of health coverage pursuant to COBRA for a period of 24 months after termination on terms and conditions comparable to those most recently provided to Mr. Nolan as of December 30, 2016 pursuant to his employment agreement.

(10) This amount represents the maximum amount payable by the company for outplacement services in the event of termination by the company without cause or termination by the NEO for good reason.

Lawrence F. Shay

Assuming the following events occurred on December 30, 2016, Mr. Shay's payments and benefits would have an estimated value of:

	Severance ($)	Long-Term Compensation Awards ($)	Deferred Compensation ($)(5)	Payments under Executive Life Insurance Program ($)(6)	Payments under Executive Long-Term Disability Program ($)(7)	Welfare Benefits ($)	Out-placement Services ($)(10)
Disability	—	3,963,618(3)	1,728,666	—	20,000	—	—
Retirement	—	—	1,728,666	—	—	—	—
Death	—	3,963,618(3)	1,728,666	300,000	—	—	—
Without Cause	656,625(1)	4,827,060(3)	1,728,666	—	—	17,176(8)	10,000
Voluntary Resignation for Good Reason	656,625(1)	—	1,728,666	—	—	17,176(8)	10,000
Change in Control (Termination by Us Without Cause or by Mr. Shay for Good Reason, within 1 year)	1,532,126(2)	8,204,402(4)	1,728,666	—	—	34,351(9)	10,000
Change in Control (Without Termination)	—	—	1,728,666	—	—	—	—

(1) This amount represents severance equal to one and a half times Mr. Shay's base salary of $437,750, which he is entitled to receive once his Separation Agreement becomes effective and is payable in equal installments over a period of 12 months after the date of his termination.

(2) This amount represents severance equal to two times the sum of Mr. Shay's base salary of $437,750 and target 2016 STIP payout of $328,313. He is entitled to this amount at the date of his termination if his termination (by us without cause or by him for good reason) occurred within one year following a change in control, in a lump sum after his Separation Agreement becomes effective.

(3) This amount represents the value, at December 30, 2016, of Mr. Shay's time-based and performance-based RSUs granted under the 2014-2016 cycle, time-based RSUs granted under the 2015-2017 cycle and time-based RSUs granted under the 2016-2018 cycle that would vest upon termination due to disability, death or termination by the company without cause. Pursuant to the terms of the awards, Mr. Shay would forfeit eligibility to receive any payout of performance-based RSUs under the 2015-2017 and 2016-2018 cycles since a termination on December 30, 2016 would be prior to the second anniversary of the grant date for such awards. For time-based RSU awards, the amounts were prorated based on the portion of the vesting period that would have transpired prior to cessation of employment. For the performance-based RSU award granted under the 2014-2016 cycle (the performance period for which ended December 31, 2016), the amount reflects the actual payout of 200% of target (based on actual performance over the performance period) prorated based on the portion of the vesting period that would have transpired prior to cessation of employment. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $716,518, representing the value of 7,843 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (b) $2,866,073, representing the value of 31,374 performance-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share; (c) $261,650, representing the value of 2,864 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); and (d) $119,377, representing the value of 1,306 time-based RSUs granted under the 2016-2018 cycle (plus cash in lieu of a fractional share). In addition, in the event of a termination by the company without cause, this amount also includes the value of Mr. Shay's options granted under the 2014-2016, 2015-2017, and 2017-2018 cycles that would vest. Pursuant to the terms of the awards, such options would vest on a pro rata basis, resulting in the accelerated vesting of 7,357, 6,064 and 5,044 options, with a value of $446,276, $233,464 and $183,702, respectively. The value of accelerated options is the aggregate spread between the closing stock price on December 30, 2016 of $91.35 and the exercise price of the options.

(4) This amount represents the value, at December 30, 2016, of Mr. Shay's time-based RSUs, performance-based RSUs and option awards granted under the 2014-2016, 2015-2017 and 2016-2018 cycles that would vest upon termination (by us without cause or by him for good reason) within one year following a change in control. All performance-based RSU awards would be paid out at target; however, for the performance-based RSU award granted under the 2014-2016 cycle (the performance period for which ended December 31, 2016), the amount reflects the actual payout of 200% of target. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $776,228, representing the value of 8,497 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (b) $3,104,912, representing the value of 33,989 performance-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (c) $443,668, representing the value of 4,856 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (d) $887,241, representing the value of 9,712 performance-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (e) $465,570, representing the value of 5,096 time-based RSUs granted under the 2016-2018 cycle (plus cash in lieu of a fractional share); (f) $931,048, representing the value of 10,192 performance-based RSUs granted under the 2016-2018 cycle (plus cash in lieu of a fractional share); (g) $483,460, representing the value of 7,970 options granted under the 2014-2016 cycle; (h) $395,857, representing the value of 10,282 options granted under the 2015-2017 cycle and (i) $716,418, representing the value of 19,671 options granted under the 2016-2018 cycle. The value of accelerated options is the aggregate spread between the closing stock price of $91.35 on December 30, 2016 and the exercise price of the options.

(5) This amount represents the balance, at December 30, 2016, of Mr. Shay's deferred compensation plan account (including matching contributions), which is payable (a) upon retirement, disability or his voluntary termination of employment with the company for any reason, a portion of which would be paid out in annual installments over two years and a portion of which would be paid out in annual installments over four years, as applicable pursuant to Mr. Shay's deferral elections, (b) upon death, in a lump sum as soon as administratively practicable following his death, (c) upon an involuntary termination by the company, in a lump sum within 90 days of the date of termination and (d) upon a change in control in a lump sum as soon as administratively practicable, but in no event later than 30 days from the effective date of the change in control.

(6) This amount represents the payment prescribed under our basic term life insurance program, calculated as follows: 1.5 times base salary, up to a maximum of $300,000.

(7) This amount represents the monthly benefit that would become payable to Mr. Shay under our executive long-term disability plan in the event of his termination due to disability on December 30, 2016, calculated as follows: 60% of his monthly earnings (i.e., pre-tax base salary and annual bonus), up to $10,000, and a supplemental monthly payment of up to $10,000. Monthly benefits would be payable until the earlier of (1) the date he ceases to be totally disabled or (2) his 65th birthday.

(8) This amount represents the value of health coverage pursuant to COBRA for a period of one year after termination on terms and conditions comparable to those most recently provided to Mr. Shay as of December 30, 2016 pursuant to his employment agreement.

(9) This amount represents the value of health coverage pursuant to COBRA for a period of 24 months after termination on terms and conditions comparable to those most recently provided to Mr. Shay as of December 30, 2016 pursuant to his employment agreement.

(10) This amount represents the maximum amount payable by the company for outplacement services in the event of termination by the company without cause or termination by the NEO for good reason.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes the company's equity compensation plan information relating to the common stock authorized for issuance under the company's equity compensation plans as of December 31, 2016:

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(1)	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))(2)
Equity compensation plans approved by InterDigital shareholders	1,904,175	$37.38	1,236,239
Equity compensation plans not approved by InterDigital shareholders(3)	—	$ —	—
Total	1,904,175	$37.38	1,236,239

(1) Column (a) includes 550,410 shares of common stock underlying outstanding time-based RSU awards and 837,370 shares of common stock underlying outstanding performance-based RSU awards, assuming a maximum payout of 200% of the target number of performance-based awards after the end of the applicable performance period, in each case including dividend equivalents credited. Because there is no exercise price associated with RSUs, these stock awards are not included in the weighted-average exercise price calculation presented in column (b). Dividend equivalents are paid in shares of common stock at the time, and only to the extent, that the related RSU awards vest.

(2) On June 4, 2009, the company's shareholders adopted and approved our 2009 Stock Incentive Plan (the "2009 Plan"), which provides for grants of stock options, stock appreciation rights, restricted stock, RSUs and incentive bonuses, and on June 12, 2014, the company's shareholders re-approved the material terms of the 2009 Plan. Amounts reported relate to the 2009 Plan.

(3) The company does not have any awards outstanding or shares remaining available for grant under equity compensation plans not approved by its shareholders.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

How many shares of the company's common stock do the directors, director nominees, executive officers and certain significant shareholders own?

The following table sets forth information regarding the beneficial ownership of the 34,680,928 shares of our common stock outstanding as of April 1, 2017, except as otherwise indicated below, by each person who is known to us, based upon filings with the SEC, to beneficially own more than 5% of our common stock, as well as by each director, each director nominee, each NEO and all directors and executive officers as a group. Except as otherwise indicated below and subject to the interests of spouses of the named beneficial owners, each named beneficial owner has sole voting and sole investment power with respect to the stock listed. None of the shares reported are currently pledged as security for any outstanding loan or indebtedness. If a shareholder holds options or other securities that are exercisable or otherwise convertible into our common stock within 60 days of April 1, 2017, pursuant to SEC rules, we treat the common stock underlying those securities as beneficially owned by that shareholder, and as outstanding shares when we calculate that shareholder's percentage ownership of our common stock. However, pursuant to SEC rules, we do not consider that common stock to be outstanding when we calculate the percentage ownership of any other shareholder.

	Common Stock	
Name	**Shares**	**Percent of Class**
Directors and Director Nominees:		
Jeffrey K. Belk	15,112	*
Joan H. Gillman	—	—
S. Douglas Hutcheson(1)	6,843	*
John A. Kritzmacher	8,462	*
John D. Markley, Jr.	—	—
William J. Merritt(2)	206,939	*
Kai O. Öistämö	7,916	*
Jean F. Rankin	16,036	*
Robert S. Roath(3)	13,397	*
Philip P. Trahanas(4)	4,472	*
Named Executive Officers:		
Richard J. Brezski(5)	51,979	*
Scott A. McQuilkin(6)	118,825	*
James J. Nolan(7)	93,254	*
Lawrence F. Shay(8)	101,577	*
All directors and executive officers as a group (15 persons)(9)	673,463	1.9%
Greater Than 5% Shareholders:		
BlackRock, Inc.(10) 55 East 52nd Street New York, New York 10055	3,603,066	10.5%
The Vanguard Group(11) 100 Vanguard Boulevard Malvern, Pennsylvania 19355	2,735,394	8.0%

* Represents less than 1% of our outstanding common stock.

(1) Includes 2,696 shares of common stock that have vested but have been deferred by Mr. Hutcheson.

(2) Includes 85,117 shares of common stock that Mr. Merritt has the right to acquire through the exercise of stock options within 60 days of April 1, 2017 and 3,177 whole shares of common stock beneficially owned by Mr. Merritt through participation in the 401(k) Plan.

(3) Includes 3,301 shares of common stock that have vested but have been deferred by Mr. Trahanas.

(4) Includes 13,397 shares of common stock that have vested but have been deferred by Mr. Roath.

(5) Includes 35,468 shares of common stock that Mr. Brezski has the right to acquire through the exercise of stock options within 60 days of April 1, 2017 and 1,740 whole shares of common stock beneficially owned by Mr. Brezski through participation in the 401(k) Plan.

(6) Includes 51,791 shares of common stock that Mr. McQuilkin has the right to acquire through the exercise of stock options within 60 days of April 1, 2017.

(7) Includes 33,820 shares of common stock that Mr. Nolan has the right to acquire through the exercise of stock options within 60 days of April 1, 2017 and 3,159 whole shares of common stock beneficially owned by Mr. Nolan through participation in the 401(k) Plan.

(8) Includes 55,472 shares of common stock that Mr. Shay has the right to acquire through the exercise of stock options within 60 days of April 1, 2017 and 3,211 whole shares of common stock beneficially owned by Mr. Shay through participation in the 401(k) Plan.

(9) Includes: 276,329 shares of common stock that all directors and executive officers as a group have the right to acquire through the exercise of stock options within 60 days of April 1, 2017; 19,394 shares of common stock that have vested but have been deferred by all directors and executive officers as a group; and 11,287 whole shares of common stock beneficially owned by all directors and executive officers as a group through participation in the 401(k) Plan.

(10) As of February 28, 2017, based on information contained in the Schedule 13G/A filed on March 9, 2017 by BlackRock, Inc. With respect to the shares beneficially owned, BlackRock, Inc. reported that it has sole voting power with respect to 3,522,778 shares and sole dispositive power with respect to 3,603,066 shares.

(11) As of December 31, 2016, based on information contained in the Schedule 13G/A filed on February 10, 2017 by The Vanguard Group. With respect to the shares beneficially owned, the Vanguard Group reported that it has sole voting power with respect to 69,001 shares, shared voting power with respect to 4,149 shares, sole dispositive power with respect to 2,664,228 shares and shared dispositive power with respect to 71,166 shares.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The company has a written statement of policy with respect to related person transactions that is administered by the Audit Committee. Under the policy, a "Related Person Transaction" means any transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) between the company (including any of its subsidiaries) and a related person, in which the related person had, has or will have a direct or indirect interest. A "Related Person" includes any of our executive officers, directors or director nominees, any shareholder owning in excess of 5% of our common stock, any immediate family member of any of the foregoing persons, and any firm, corporation or other entity in which any of the foregoing persons is employed as an executive officer or is a partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest. Related Person Transactions do not include certain transactions involving only director or executive officer compensation, transactions where the Related Person receives proportional benefits as a shareholder along with all other shareholders, transactions involving competitive bids or transactions involving certain bank-related services.

Pursuant to the policy, a Related Person Transaction may be consummated or may continue only if:

- The Audit Committee approves or ratifies the transaction in accordance with the terms of the policy; or
- The chair of the Audit Committee, pursuant to authority delegated to the chair by the Audit Committee, pre-approves or ratifies the transaction and the amount involved in the transaction is less than $100,000, provided that, for the Related Person Transaction to continue, it must be approved by the Audit Committee at its next regularly scheduled meeting.

It is the company's policy to enter into or ratify Related Person Transactions only when the Audit Committee determines that the Related Person Transaction in question is in, or is not inconsistent with, the best interests of the company, including but not limited to situations where the company may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or where the company provides products or services to Related Persons on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to employees generally.

In determining whether to approve or ratify a Related Person Transaction, the committee takes into account, among other factors it deems appropriate, whether the Related Person Transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the Related Person's interest in the transaction.

OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

During 2016, did all directors and officers timely file all reports required by Section 16(a)?

Based upon a review of filings with the SEC furnished to us and written representations that no other reports were required, we believe that during and with respect to 2016 all of our directors and officers timely filed all reports required by Section 16(a) of the Exchange Act except for Mr. Nolan. On February 13, 2017, Mr. Nolan filed a Form 5 to report 24 purchases of the company's common stock, totaling 3,206.4877 shares, that were not previously timely reported on Form 4. The purchases reported occurred between February 2011 and October 2016 and were executed automatically pursuant to a dividend reinvestment feature in Mr. Nolan's personal brokerage account, which holds a portion of his shares of InterDigital common stock. Mr. Nolan activated the dividend reinvestment feature upon opening the brokerage account in September 1997, many years prior to the initiation of the company's regular dividend in first quarter 2011. Four of the share purchases reported were "matching" transactions under Section 16(b) of the Exchange Act with the sale by Mr. Nolan of 1,122.3124 shares of the company's common stock on December 11, 2012. As of the date of the Form 5, Mr. Nolan had made the company aware of such profit and has disgorged to the company such profit upon settlement of the sale.

Shareholder Proposals

How may shareholders make proposals or director nominations for the 2018 annual meeting?

Shareholders interested in submitting a proposal for inclusion in our proxy statement for the 2018 annual meeting may do so by submitting the proposal in writing to our Secretary at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, DE 19809-3727. To be eligible for inclusion in our proxy statement for the 2018 annual meeting, shareholder proposals must be received no later than December 29, 2017, and they must comply with all applicable SEC requirements. The submission of a shareholder proposal does not guarantee that it will be included in our proxy statement.

Our bylaws also establish an advance notice procedure with regard to nominations of persons for election to the Board and shareholder proposals that are not submitted for inclusion in the proxy statement but that a shareholder instead wishes to present directly at an annual meeting. Shareholder proposals and nominations may not be brought before the 2018 annual meeting unless, among other things, the shareholder's submission contains certain information concerning the proposal or the nominee, as the case may be, and other information specified in our bylaws, and we receive the shareholder's submission no earlier than March 16, 2018, and no later than April 15, 2018. However, if the date of our 2018 annual meeting is more than 30 days before or more than 60 days after the anniversary of our 2017 annual meeting, the submission and the required information must be received by us no earlier than the 90th day prior to the 2018 annual meeting and no later than the later of the 60th day prior to the annual meeting or the 15th day following the day on which we first publicly announce the date of the 2018 annual meeting. Proposals or nominations that do not comply with the advance notice requirements in our bylaws will not be entertained at the 2018 annual meeting. A copy of the bylaws may be obtained on our website at *http://ir.interdigital.com* under the IR menu heading "Corporate Governance," or by writing to our Secretary at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, DE 19809-3727.

Proxy Solicitation Costs and Potential Savings

Who pays for the proxy solicitation costs?

We will bear the entire cost of proxy solicitation, including preparation, assembly, printing and mailing of the Notice, this proxy statement, the proxy card and any additional materials furnished to shareholders. Copies of proxy solicitation materials will be furnished to brokerage houses, fiduciaries and custodians holding shares in

their names that are beneficially owned by others to forward to such beneficial owners. In addition, we may reimburse such persons for their cost of forwarding the solicitation materials to such beneficial owners. Our directors, officers or regular employees may supplement solicitation of proxies by mail through the use of one or more of the following methods: telephone, email, telegram, facsimile or personal solicitation. No additional compensation will be paid for such services. For 2017, we have also engaged Alliance Advisors, LLC, a professional proxy solicitation firm, to aid in the solicitation of proxies from certain brokers, bank nominees and other institutional owners for an anticipated fee of not more than $10,000.

What is "householding" of proxy materials, and can it save the company money?

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy materials with respect to two or more shareholders sharing the same address by delivering a single annual report and proxy statement to those shareholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for shareholders and cost savings for companies. Although we do not household for registered shareholders, a number of brokerage firms have instituted householding for shares held in street name, delivering a single set of proxy materials to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once you have received notice from your broker that they will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, now or in the future, you no longer wish to participate in householding and would prefer to receive a separate Notice or annual report and proxy statement, please notify us by calling (302) 281-3600 or by sending a written request to our Secretary at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, DE 19809-3727, and we will promptly deliver a separate copy of our Notice or annual report and proxy statement, as applicable. If you hold your shares in street name and are receiving multiple copies of the Notice or annual report and proxy statement and wish to receive only one, please notify your broker.

Annual Report on Form 10-K

How can I receive the annual report?

We will provide to any shareholder without charge a copy of our 2016 annual report on Form 10-K upon written request to our Secretary at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, DE 19809-3727. Our 2016 annual report and this proxy statement are also available online at *http://ir.interdigital.com/FinancialDocs*.

Other Business

Will there be any other business conducted at the annual meeting?

As of the date of this proxy statement, we know of no business that will be presented for consideration at the annual meeting other than the items referred to in this proxy statement. If any other matter is properly brought before the annual meeting for action by shareholders, proxies will be voted in accordance with the recommendation of the Board or, in the absence of such a recommendation, in accordance with the judgment of the proxy holder.

APPENDIX A

INTERDIGITAL, INC.

2017 EQUITY INCENTIVE PLAN

(subject to, and effective as of, approval at the 2017 annual meeting of shareholders)

1. Purposes of the Plan. The purposes of this Plan are:

- to attract and retain the best available personnel,
- to provide additional incentive to Employees, Directors and Consultants, and
- to promote the success of the Company's business.

The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Units, Performance Shares, Incentive Cash Bonuses, and other stock or cash awards as the Administrator may determine.

2. Definitions. As used herein, the following definitions will apply:

(a) "Administrator" means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 of the Plan. Unless otherwise determined by the Board, the Compensation Committee of the Board will be the Administrator.

(b) "Affiliate" means any entity that, directly or indirectly, controls, is controlled by, or is under common control with, the Company.

(c) "Applicable Laws" means the requirements relating to the administration of equity-based awards and the related issuance of Shares under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and, only to the extent applicable with respect to an Award or Awards, the tax, securities, exchange control, and other laws of any jurisdictions other than the United States where Awards are, or will be, awarded under the Plan. Reference to a section of an Applicable Law or regulation related to that section shall include such section or regulation, any valid regulation issued under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

(d) "Award" means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units, Performance Shares, Incentive Cash Bonuses, or other stock or cash awards as the Administrator may determine.

(e) "Award Agreement" means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

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

(g) "Change in Control" means the occurrence of any of the following events:

(i) A change in the ownership of the Company that occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than 50% of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection, the acquisition of additional stock by any one Person, who is considered to own more than 50% of the total voting power of the stock of the Company will not be considered a Change in Control. Further, if the shareholders of the Company immediately before such

change in ownership continue to retain immediately after the change in ownership, in substantially the same proportions as their ownership of shares of the Company's voting stock immediately prior to the change in ownership, direct or indirect beneficial ownership of 50% or more of the total voting power of the stock of the Company or of the ultimate parent entity of the Company, such event shall not be considered a Change in Control under this subsection (i). For this purpose, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities that own the Company, as the case may be, either directly or through one or more subsidiary corporations or other business entities; or

(ii) A change in the effective control of the Company that occurs on the date that a majority of members of the Board is replaced during any 12-month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this subsection (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or

(iii) A change in the ownership of a substantial portion of the Company's assets that occurs on the date that any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection (iii), the following will not constitute a change in the ownership of a substantial portion of the Company's assets:

(1) a transfer to an entity that is controlled by the Company's shareholders immediately after the transfer, or

(2) a transfer of assets by the Company to:

a) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock,

b) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company,

c) a Person, that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of the Company, or

d) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (iii)(B)(3).

For purposes of this definition, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this definition, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Code Section 409A, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(h) "Code" means the Internal Revenue Code of 1986. Reference to a specific section of the Code or regulation thereunder will include such section or regulation, any valid regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

(i) "Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board, or a duly authorized committee of the Board, in accordance with Section 4 hereof.

(j) "Common Stock" means the common stock of the Company.

(k) "Company" means InterDigital, Inc., a Pennsylvania corporation, or any successor thereto.

(l) "Consultant" means any natural person, including an advisor, engaged by the Company or a Parent, Subsidiary or Affiliate to render bona fide services to such entity, provided the services (i) are not in connection with the offer or sale of securities in a capital-raising transaction, and (ii) do not directly promote or maintain a market for the Company's securities, in each case, within the meaning of Form S-8 promulgated under the Securities Act, and provided, further, that a Consultant will include only those persons to whom the issuance of Shares may be registered under Form S-8 promulgated under the Securities Act.

(m) "Covered Employee" means any Service Provider who would be considered a "covered employee" within the meaning of Section 162(m) of the Code.

(n) "Determination Date" means the latest possible date that will not jeopardize the qualification of an Award granted under the Plan as "performance-based compensation" under Code Section 162(m).

(o) "Director" means a member of the Board.

(p) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code, provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.

(q) "Dividend Equivalent" means a credit, made at the discretion of the Administrator or as otherwise provided by the Plan, to the account of a Participant in an amount equal to the cash dividends paid on one Share for each Share represented by an Award held by such Participant. Dividend Equivalents will not be paid unless and until the portions of the Awards representing the Shares with respect to which such dividends were credited have vested.

(r) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent, Subsidiary or Affiliate of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.

(s) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(t) "Exchange Program" means a program under which (i) outstanding Awards are surrendered or cancelled in exchange for awards of the same type (which may have higher or lower exercise prices and different terms), awards of a different type, and/or cash, (ii) Participants would have the opportunity to transfer any outstanding Awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding Award is increased or reduced.

(u) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the New York Stock Exchange, the NASDAQ Global Select Market, the NASDAQ Global Market or the NASDAQ Capital Market of The NASDAQ Stock Market, its Fair Market Value will be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share will be the mean between the high bid and low asked prices for the Common Stock on the date of determination (or, if no bids and asks were reported on that date, as applicable, on the last trading date such bids and asks were reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value will be determined in good faith by the Administrator.

Notwithstanding the foregoing, if the determination date for the Fair Market Value occurs on a weekend, holiday or other non-Trading Day, the Fair Market Value will be the price as determined under subsections (i) or (ii) above on the immediately preceding Trading Day, unless otherwise determined by the Administrator. In addition, for purposes of determining the fair market value of shares for any reason other than the determination of the per Share exercise price of Options or Stock Appreciation Rights, fair market value will be determined by the Administrator in a manner compliant with Applicable Laws and applied consistently in the jurisdiction for such purpose. Note that the determination of fair market value for purposes of tax withholding may be made in the Administrator's sole discretion subject to Applicable Laws and is not required to be consistent with the determination of Fair Market Value for other purposes.

(v) "Fiscal Year" means the fiscal year of the Company.

(w) "Full Value Award" means any Award that results in the issuance of Shares other than Options, Stock Appreciation Rights or other Awards that are based solely on an increase in value of the Shares following the grant date.

(x) "GAAP" means U.S. generally accepted accounting principles.

(y) "Incentive Cash Bonus" means an opportunity to earn a future payment tied to the level of achievement with respect to one or more performance criteria established for a performance period specified by the Administrator, granted pursuant to Section 12. Each Incentive Cash Bonus represents an unfunded and unsecured obligation of the Company.

(z) "Incentive Stock Option" means an Option that is intended to qualify and does qualify as an incentive stock option within the meaning of Section 422 of the Code.

(aa) "Nonstatutory Stock Option" means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

(bb) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.

(cc) "Option" means a stock option granted pursuant to the Plan.

(dd) "Outside Director" means a Director who is not an Employee.

(ee) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(ff) "Participant" means the holder of an outstanding Award.

(gg) "Performance Goals" will have the meaning set forth in Section 13 of the Plan.

(hh) "Performance Period" means any Fiscal Year of the Company or such other period as determined by the Administrator in its sole discretion.

(ii) "Performance Share" means an Award denominated in Shares that may be earned in whole or in part upon attainment of Performance Goals or other vesting criteria as the Administrator may determine pursuant to Section 11.

(jj) "Performance Unit" means an Award that may be earned in whole or in part upon attainment of Performance Goals or other vesting criteria as the Administrator may determine and that may be settled for cash, Shares or other securities or a combination of the foregoing pursuant to Section 11.

(kk) "Period of Restriction" means the period during which the transfer of Shares of Restricted Stock are subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, continued service, the achievement of target levels of performance, or the occurrence of other events as determined by the Administrator.

(ll) "Plan" means this 2017 Equity Incentive Plan.

(mm) "Restricted Stock" means Shares issued pursuant to a Restricted Stock award under Section 8 of the Plan, or issued pursuant to the early exercise of an Option.

(nn) "Restricted Stock Unit" means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 9. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

(oo) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(pp) "Section 16(b)" means Section 16(b) of the Exchange Act.

(qq) "Securities Act" means the Securities Act of 1933, as amended.

(rr) "Section 409A" means Section 409A of the Code.

(ss) "Service Provider" means an Employee, Director or Consultant.

(tt) "Share" means a share of the Common Stock, as adjusted in accordance with Section 16 of the Plan.

(uu) "Stock Appreciation Right" means an Award, granted alone or in connection with an Option, that pursuant to Section 10 is designated as a Stock Appreciation Right.

(vv) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

(ww) “Trading Day” means a day on which the primary stock exchange or national market system on which the Common Stock trades is open for trading.

3. Stock Subject to the Plan.

(a) Stock Subject to the Plan. Subject to the provisions of Section 16(a) of the Plan, the maximum aggregate number of Shares that may be issued under the Plan is (i) 2,400,000 Shares, *plus* (ii) any Shares subject to stock options, restricted stock units, performance shares, performance units, or similar awards granted under the Company’s 2009 Stock Incentive Plan (the “2009 Plan”) that, on or after the date this Plan is approved by the Company’s shareholders, expire or otherwise terminate without having been exercised in full, or that are forfeited to or repurchased by the Company, with the maximum number of Shares to be added to the Plan as a result of clause (ii) equal to 1,460,461. For clarity, Shares used to pay the exercise price of an award granted under the 2009 Plan or to satisfy the tax withholding obligations related to an award granted under the 2009 Plan will not be added to the Plan pursuant to clause (ii) of the previous sentence. The Shares that may be issued under the Plan may be authorized, but unissued, or reacquired Common Stock.

(b) Lapsed Awards. If an Award expires or becomes unexercisable without having been exercised in full, or, with respect to Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares, is forfeited to, or repurchased by, the Company due to failure to vest, then the unpurchased Shares (or for Awards other than Options or Stock Appreciation Rights, the forfeited or repurchased Shares) that were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). With respect to Stock Appreciation Rights, the gross Shares issued (i.e., Shares actually issued pursuant to a Stock Appreciation Right, as well as the Shares that represent payment of the exercise price and any applicable tax withholdings) pursuant to a Stock Appreciation Right will cease to be available under the Plan. Shares used to pay the exercise price of an Award or to satisfy the tax withholding obligations related to an Award will not become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. For purposes of clarification, no Shares purchased by the Company with proceeds received from the exercise of an Option or Stock Appreciation Right will become available for issuance under this Plan.

(c) Incentive Stock Options. Subject to adjustment as provided in Section 16, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal 200% of the sum of the aggregate Share number stated in Section 3(a) and, to the extent allowable under Section 422 of the Code, any Shares that become available for issuance under the Plan pursuant to Section 3(b).

(d) Share Reserve. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

(e) Adjustment. The numbers provided in Sections 3(a) and 3(b) will be adjusted as a result of changes in capitalization and any other adjustments under Section 16(a).

(f) Substitute Awards. If the Administrator grants Awards in substitution for equity compensation awards outstanding under a plan maintained by an entity acquired by or consolidated with the Company, the grant of those substitute Awards will not decrease the number of Shares available for issuance under the Plan.

4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. Different Committees may administer the Plan with respect to different groups of Service Providers. The Board may retain the authority to concurrently administer the Plan with a Committee and may revoke the delegation of some or all authority previously delegated.

(ii) Section 162(m). Unless an Award is granted and administered solely by a Committee of two or more "outside directors" within the meaning of Code Section 162(m), it will not qualify as "performance-based compensation" within the meaning of Code Section 162(m).

(iii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b-3.

(iv) Other Administration. Other than as provided above, the Plan will be administered by (A) the Board or (B) a Committee, which committee will be constituted to satisfy Applicable Laws.

(v) Further Delegation. To the extent permitted by Applicable Laws, the Board or a Committee may delegate to one or more officers the authority to grant Awards to Employees of the Company or any of its Subsidiaries who are not Officers, provided that the delegation must specify any limitations on the authority required by Applicable Laws, including the maximum number or value of Shares that may be subject to the Awards granted by such officer(s). Such delegation may be revoked at any time by the Board or Committee. Any such Awards will be granted on the form of Award Agreement most recently approved for use by the Board or a Committee consisting solely of Directors, unless the resolutions delegating the authority permit the officer(s) to use a different form of Award Agreement approved by the Board or a Committee consisting solely of Directors.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

(i) to determine the Fair Market Value;

(ii) to select the Service Providers to whom Awards may be granted hereunder;

(iii) to determine the number of Shares to be covered by or the value of each Award granted hereunder;

(iv) to approve forms of Award Agreements for use under the Plan (provided that all forms of Award Agreement must be approved by the Board or the Committee of Directors acting as the Administrator);

(v) to determine the terms and conditions, consistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator will determine;

(vi) to determine whether Awards will be adjusted for Dividend Equivalents;

(vii) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;

(viii) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws or for qualifying for favorable tax treatment under applicable foreign laws;

(ix) to modify or amend each Award (subject to Sections 4(d) and 22 of the Plan), including but not limited to the discretionary authority to extend the post-termination exercisability period of Awards and to extend the maximum term of an Option (subject to the applicable limits in Section 7(b) of the Plan);

(x) to waive any terms, conditions or restrictions;

(xi) to allow Participants to satisfy tax withholding obligations in such manner as prescribed in Section 17 of the Plan;

(xii) to delegate ministerial duties to any of the Company's employees;

(xiii) to authorize any person to take any steps and execute, on behalf of the Company, any documents required for an Award previously granted by the Administrator to be effective;

(xiv) to allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that otherwise would be due to such Participant under an Award; and

(xv) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations, and interpretations will be final and binding on all Participants and any other holders of Awards and will be given the maximum deference permitted by Applicable Laws.

(d) No Exchange Program. The Administrator may not implement an Exchange Program.

5. Award Limitations.

(a) Annual Awards for Employees and Consultants. For so long as: (x) the Company is a "publicly held corporation" within the meaning of Code Section 162(m) and (y) the deduction limitations of Code Section 162(m) are applicable to the Company's Covered Employees, then, subject to Section 16, the limits specified below shall be applicable to Awards issued under the Plan:

(i) Limits on Options. No Employee or Consultant shall receive Options during any Fiscal Year with respect to more than 300,000 Shares; provided, however, that in connection with a Participant's initial service as an Employee, the Participant may be granted Options with respect to an additional 300,000 Shares.

(ii) Limits on Stock Appreciation Rights. No Employee or Consultant shall receive Stock Appreciation Rights during any Fiscal Year with respect to more than 300,000 Shares; provided, however, that in connection with a Participant's initial service as an Employee, the Participant may be granted Stock Appreciation Rights with respect to an additional 300,000 Shares.

(iii) Limits on Restricted Stock. No Employee or Consultant shall receive Awards of Restricted Stock during any Fiscal Year with respect to more than 300,000 Shares; provided, however, that in connection with a Participant's initial service as an Employee, the Participant may be granted Awards of Restricted Stock with respect to an additional 300,000 Shares.

(iv) Limits on Restricted Stock Units. No Employee or Consultant shall receive Awards of Restricted Stock Units during any Fiscal Year with respect to more than 300,000 Shares; provided, however, that in connection with a Participant's initial service as an Employee, the Participant may be granted Awards of Restricted Stock Units with respect to an additional 300,000 Shares.

(v) Limits on Performance Shares. No Employee or Consultant shall receive Awards of Performance Shares during any Fiscal Year with respect to more than 300,000 Shares; provided, however, that in connection with a Participant's initial service as an Employee, the Participant may be granted Awards of Performance Shares with respect to an additional 300,000 Shares.

(vi) Limits on Performance Units. No Employee or Consultant shall receive Awards of Performance Units with an aggregate initial value of greater than $3,000,000; provided, however, that in connection with a Participant's initial service as an Employee, the Participant may be granted additional Awards of Performance Units with an aggregate initial value of $3,000,000.

(vii) Limits on Incentive Cash Bonuses. No Employee or Consultant shall receive Incentive Cash Bonuses with an aggregate value of greater than $3,000,000; provided, however, that in connection with a Participant's initial service as an Employee, the Participant may be granted additional Incentive Cash Bonuses with an aggregate initial value of $3,000,000.

(b) Outside Director Limits. No Outside Director may, in any Fiscal Year, be paid cash compensation and granted Awards with an aggregate value (determined under GAAP with respect to Awards) greater than $1,000,000, except that such limit will be increased to $2,000,000 in the Fiscal Year of his or her initial service as an Outside Director. Any cash compensation paid or Awards granted to an individual for his or her services as an Employee, or for his or her services as a Consultant (other than as an Outside Director), will not count for purpose of this limitation.

6. Eligibility. Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units, Incentive Cash Bonuses, and such other cash or stock awards as the Administrator determines may be granted to Service Providers. Incentive Stock Options may be granted only to Employees of the Company or any Parent or Subsidiary of the Company.

7. Stock Options.

(a) Annual $100,000 Limit on Incentive Stock Options. Notwithstanding the designation of an Option as an Incentive Stock Option, to the extent that the aggregate fair market value of the Shares with respect to which incentive stock options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary of the Company) exceeds one hundred thousand dollars ($100,000), the portion of the Options falling within such limit will be Incentive Stock Options and the excess Options will be treated as Nonstatutory Stock Options. For purposes of this Section 7(a), incentive stock options will be taken into account in the order in which they were granted. The fair market value of the Shares will be determined as of the time the option with respect to such Shares is granted.

(b) Term of Option. The term of each Option will be stated in the Award Agreement but will not exceed 10 years from the date the Option is granted. Moreover, in the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company, the term of the Incentive Stock Option will be 5 years from the date of grant or such shorter term as may be provided in the Award Agreement.

(c) Option Exercise Price and Consideration.

(i) Exercise Price. The per Share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator, subject to the following:

(1) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company, the per Share exercise price will be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price will be no less than 100% of the Fair Market Value per Share on the date of grant.

(2) In the case of a Nonstatutory Stock Option, the per Share exercise price will be no less than 100% of the Fair Market Value per Share on the date of grant.

(3) Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than 100% of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

(ii) Waiting Period and Exercise Dates. At the time an Option is granted and subject to the provisions of this Plan, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised.

(iii) Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator will determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of: (1) cash; (2) check; (3) other Shares, provided that such Shares have a fair market value (as determined in good faith by the Administrator) on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be exercised and provided that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion; (4) consideration received by the Company under a broker-assisted (or other) cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan; (5) by net exercise; (6) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws; or (7) any combination of the foregoing methods of payment.

(d) Exercise of Option. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator, subject to the provisions of this Plan, and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (i) a notice of exercise (in such form as the Administrator may specify from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with applicable withholding taxes). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder will exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 16 of the Plan.

Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

Each Award Agreement will specify the applicable post-termination exercise period following termination as a Service Provider.

8. Restricted Stock.

(a) Grant of Restricted Stock. Subject to the terms of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares have lapsed.

(b) Restricted Stock Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(c) Transferability. Except as provided in this Section 8, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

(d) Other Restrictions. Subject to the provisions of this Plan, the Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(e) Removal of Restrictions. Except as otherwise provided in this Section 8, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

(f) Voting Rights. During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(g) Dividends and Other Distributions. During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares unless otherwise provided in the Award Agreement; provided, however that such dividends and distributions will be subject to the same restrictions on transferability and forfeitability (as applicable) as the Shares of Restricted Stock with respect to which they were paid, and the Company will hold such dividends and distributions until the restrictions on the Shares of Restricted Stock with respect to which they were paid have lapsed.

(h) Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan in accordance with Section 3(b).

9. Restricted Stock Units.

(a) Grant of Restricted Stock Units. Subject to the terms of the Plan, Restricted Stock Units may be granted to Service Providers at any time and from time to time as determined by the Administrator.

(b) Restricted Stock Unit Agreement. Each Award of Restricted Stock Units will be evidenced by an Award Agreement that will specify such terms and conditions as the Administrator, in its sole discretion, will determine, including all terms, conditions, and restrictions related to the grant, the number of Restricted Stock Units and the form of payout, which, subject to Section 9(e), will be left to the discretion of the Administrator.

(c) Vesting Criteria and Other Terms. Subject to the provisions of this Plan, the Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Administrator may set vesting criteria based upon the achievement of Company-wide, regional, department, business unit, business segment, affiliate, or individual goals (including, but not limited to, continued status as a Service Provider), applicable federal or state securities laws or any other basis determined by the Administrator in its discretion. After the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any restrictions for such Restricted Stock Units.

(d) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as specified in the Award Agreement.

(e) Form and Timing of Payment. Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) set forth in the Award Agreement. The Administrator, in its sole discretion, may pay earned Restricted Stock Units in cash, Shares, or a combination thereof. Shares represented by Restricted Stock Units that are fully paid in cash again will be available for grant under the Plan.

(f) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company and become available for grant under the Plan.

10. Stock Appreciation Rights.

(a) Grant of Stock Appreciation Rights. Subject to the terms and conditions of the Plan, a Stock Appreciation Right may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

(b) Exercise Price and Other Terms. The Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of Stock Appreciation Rights granted under the Plan, provided, however, that the per Share exercise price will be not less than 100% of the Fair Market Value of a Share on the date of grant.

(c) Stock Appreciation Right Agreement. Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the per Share exercise price, the term of the Stock Appreciation Right, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(d) Expiration of Stock Appreciation Rights. A Stock Appreciation Right granted under the Plan will expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement; provided, however, that the term will be no more than 10 years from the date of grant thereof.

(e) Payment of Stock Appreciation Right Amount. A Stock Appreciation Right may not be exercised for a fraction of a Share. Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:

(i) The difference between the Fair Market Value of a Share on the date of exercise over the per Share exercise price; multiplied by

(ii) The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon Stock Appreciation Right exercise may be in cash, in Shares of equivalent value, or in some combination thereof. Shares issued upon exercise of a Stock Appreciation Right will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until any such Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder will exist with respect to the Shares subject to a Stock Appreciation Right, notwithstanding the exercise of the Stock Appreciation Right. The Company will issue (or cause to be issued) any such Shares promptly after the Stock Appreciation Right is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 16 of the Plan.

11. Performance Units and Performance Shares.

(a) Grant of Performance Units/Shares. Subject to the terms of the Plan, Performance Units and Performance Shares may be granted to Service Providers at any time and from time to time, as will be determined by the Administrator, in its sole discretion.

(b) Value of Performance Units/Shares. Each Performance Unit will have an initial value that is established by the Administrator on or before the date of grant. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant.

(c) Performance Objectives and Other Terms. The Administrator will set performance objectives or other vesting provisions in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units/Shares that will be paid out. Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period, and such other terms and conditions as the Administrator, in its sole discretion, will determine. The Administrator may set performance objectives based upon the achievement of Company-wide, regional, department, business unit, business segment, affiliate, or individual goals (including, but not limited to, continued status as a Service Provider), applicable federal or state securities laws, or any other basis determined by the Administrator in its discretion.

(d) Earning of Performance Units/Shares. After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the number of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. After the grant of a Performance Unit/Share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such Performance Unit/Share.

(e) Form and Timing of Payment of Performance Units/Shares. Payment of earned Performance Units/Shares will be made at the time(s) specified in the Award Agreement. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period) or in a combination thereof.

(f) Cancellation of Performance Units/Shares. On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited to the Company, and again will be available for grant under the Plan.

12. Incentive Cash Bonuses.

(a) Grant of Incentive Cash Bonuses. Subject to the terms of the Plan, Incentive Cash Bonuses may be granted to Service Providers at any time and from time to time as determined by the Administrator.

(b) Terms of Incentive Cash Bonuses. The Administrator, in its sole discretion, will determine the terms and conditions of each Incentive Cash Bonus, including (i) the target and maximum amount payable to a Participant as an Incentive Cash Bonus, (ii) the performance objectives and level of achievement versus these objectives that shall determine the amount of such payment, (iii) the term of the performance period as to which performance shall be measured for determining the amount of any payment, (iv) the timing of any payment earned by virtue of performance, (v) restrictions on the alienation or transfer of the Incentive Cash Bonus prior to actual payment, (vi) forfeiture provisions and (vii) such further terms and conditions, in each case not inconsistent with this Plan as may be determined from time to time by the Administrator. The Administrator may set performance objectives based upon the achievement of Company-wide, regional, department, business unit, business segment, affiliate, or individual goals (including, but not limited to, continued status as a Service Provider), applicable federal or state securities laws, or any other basis determined by the Administrator in its discretion.

(c) Earning Incentive Cash Bonuses. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Administrator.

(d) Form and Timing of Payment. Payment of any earned Incentive Cash Bonus will be made in cash as soon as practicable after the date(s) determined by the Administrator.

(e) Cancellation. On the date determined by the Administrator, all unearned Incentive Cash Bonuses will be forfeited to the Company.

(f) Discretionary Adjustments. Notwithstanding satisfaction of any performance goals, the amount paid under an Incentive Cash Bonus on account of either financial performance or personal performance evaluations may, to the extent determined by the Administrator, be reduced, but not increased, by the Administrator on the basis of such further considerations as the Administrator shall determine.

13. Performance-Based Compensation Under Code Section 162(m).

(a) General. If the Administrator, in its discretion, decides to grant an Award intended to qualify as "performance-based compensation" under Code Section 162(m), the provisions of this Section 13 will control over any contrary provision in the Plan; provided, however, that the Administrator may in its discretion grant Awards that are not intended to qualify as "performance-based compensation" under Code Section 162(m) to Participants that are based on Performance Goals or other specific criteria or goals but that do not satisfy the requirements of this Section 13.

(b) Performance Goals. The granting and/or vesting of Awards of Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units, Incentive Cash Bonuses, and other incentives under the Plan may be made subject to the attainment of performance goals relating to one or more business criteria within the meaning of Code Section 162(m) and may provide for a targeted level or levels of achievement ("Performance Goals") including stock price; revenue; profit; bookings; cash flow; customer retention; customer satisfaction; net bookings; net income or net income per Share, diluted or basic; net profit; operating cash flow; operating expenses; total earnings; earnings per share; diluted or basic; earnings per share from continuing operations, diluted or basic; earnings before or after interest and taxes; earnings before or after taxes; earnings before or after interest, taxes, depreciation, amortization, and/or extraordinary or special items; pre-tax profit; net asset turnover; inventory turnover; capital expenditures; interest expense after taxes; net earnings; operating earnings; gross or operating margin; profit margin; debt; working capital; return on equity; return on net assets; return on total assets; return on capital; return on investment; cash flow return on investment (discounted or otherwise); return on sales; net or gross sales; market share; economic value added or created; cost of capital; cash flow in excess of cost of capital; change in assets; free cash flow; average cash balance or cash position; expense reduction levels; debt reduction; productivity; new product introductions; delivery performance; individual objectives; total shareholder return; and 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, cost target, customer satisfaction, employee satisfaction, management of employment practices and employee benefits, supervision of litigation and information technology goals, and goals relating to acquisitions or divestitures of subsidiaries, affiliates, or joint ventures. Any Performance Goals may be used to measure the performance of the Company as a whole or, except with respect to shareholder return metrics, of a region, business unit, affiliate or business segment, and any Performance Goals may be measured either on an absolute basis, a per share basis or relative to a pre-established target, to a previous period's results or to a designated comparison group, and, with respect to financial metrics, which may be determined in accordance with GAAP, in accordance with accounting principles established by the International Accounting Standards Board ("IASB Principles") or which may be adjusted when established to either exclude any items otherwise includable under GAAP or under IASB Principles or include any items otherwise excludable under GAAP or under IASB Principles. In all other respects, Performance Goals will be calculated in accordance with the Company's financial statements, generally accepted accounting principles, or under a methodology established by the Administrator prior to or at the time of the issuance of an Award and that is consistently applied with respect to a Performance Goal in the relevant Performance Period. In addition, the Administrator will adjust any performance criteria, Performance Goal or other feature of an Award that relates to or is wholly or partially based on the number of, or the value of, any stock of the Company, to reflect any stock dividend or split, repurchase, recapitalization, combination, or exchange of shares or other similar changes in such stock. The Performance Goals may differ from Participant to Participant and from Award to Award. Prior to the Determination Date, the Administrator will determine whether any significant element(s) will be included in or excluded from the calculation of any Performance Goal with respect to any Participant.

(c) Procedures. To the extent necessary to comply with the performance-based compensation provisions of Code Section 162(m), with respect to any Award granted subject to Performance Goals, within the first 25% of the Performance Period, but in no event more than ninety (90) days following the commencement of any Performance Period (or such other time as may be required or permitted by Code Section 162(m)), the Administrator will take action to (i) designate one or more Participants to whom an Award will be made, (ii) select the Performance Goals applicable to the Performance Period, (iii) establish the Performance Goals, and maximum amounts of such Awards, as applicable, that may be earned for such Performance Period, and (iv) specify the relationship between Performance Goals and the amounts of such Awards, as applicable, to be earned by each Participant for such Performance Period. Following the completion of each Performance Period, the Administrator will certify in writing whether the applicable Performance Goals have been achieved for such Performance Period. In determining the amounts earned by a Participant, the Administrator will have the right to reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Administrator may deem relevant to the assessment of individual or corporate performance for the Performance Period. A Participant will be eligible to receive payment pursuant to an Award for a Performance Period only if the Performance Goals for such period are achieved.

(d) Additional Limitations. Notwithstanding any other provision of the Plan, any Award that is granted to a Participant and is intended to constitute qualified performance based compensation under Code Section 162(m) will be subject to any additional limitations set forth in the Code (including any amendment to Section 162(m)) or any regulations and ruling issued thereunder that are requirements for qualification as qualified performance-based compensation as described in Code Section 162(m), and the Plan will be deemed amended to the extent necessary to conform to such requirements.

14. Leaves of Absence/Transfer Between Locations. All Awards granted under the Plan may be subject to any leave of absence policy that the Administrator may adopt prior to the grant of such Awards. The Company may condition approval of any such leave on a Participant agreeing to the terms of such leave of absence policy. In the absence of such a policy, unless the Administrator provides otherwise, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence that is longer than one (1) year. A Participant will not cease to be an Employee in the case of (i) any leave of absence approved by the Company or any Parent, Subsidiary, or Affiliate of the Company employing the Employee or (ii) transfers between locations of the Company or among the Company or any Parent, Subsidiary, or Affiliate of the Company. For purposes of Incentive Stock Options, no such leave may exceed 3 months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then 6 months following the first (1st) day of such leave any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option.

15. Transferability of Awards.

(a) General. Except to the limited extent provided in Section 15(b), an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant.

(b) Limited Transferability. The Administrator may permit an Award (other than an Incentive Stock Option) to be assigned or transferred, in whole or in part, during a Participant's lifetime: (i) under a domestic relations order, official marital settlement agreement or other divorce or separation instrument as permitted by Treasury Regulation Section 1.421-1(b)(2); or (ii) to a "family member," within the meaning of and in accordance with the instructions for Form S-8 promulgated under the Securities Act, to the extent such assignment or transfer is in connection with the Participant's estate plan; or (iii) to the extent required by any Applicable Laws. Any individual or entity to whom an Award is transferred will be subject to all of the terms and conditions applicable to the Participant who transferred the Award, including the terms and conditions of the Plan and the applicable Award Agreement. If an Award is unvested, then the Participant's status as a Service Provider will continue to determine whether the Award will vest and when the Award will expire.

16. Adjustments; Dissolution or Liquidation; Change in Control.

(a) Adjustments. In the event that any extraordinary dividend or other extraordinary distribution (whether in cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, issuance of warrants or other rights to acquire securities of the Company, other change in the corporate structure of the Company affecting the Shares, or any similar equity restructuring transaction, as that term is used in Statement of Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any of its successors) affecting the Shares occurs (including, without limitation, a Change in Control), the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of Shares that may be delivered under the Plan and/or the number, class, and price of Shares covered by each outstanding Award, and the numerical Share limits in Sections 3 and 5(a) of the Plan.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it previously has not been exercised, an Award will terminate immediately prior to the consummation of such proposed action.

(c) Change in Control. Except as set forth in this Section 16(c), in the event of a merger of the Company with or into another corporation or other entity or a Change in Control, each outstanding Award will be treated as the Administrator determines, including, without limitation, that Awards may be assumed, or substantially equivalent Awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof) with appropriate adjustments as to the number and kind of shares and prices. In taking any of the actions permitted under this Section 16(c), the Administrator will not be required to treat all Awards similarly in the transaction.

In the event that the successor corporation does not assume or substitute for the Award (or portion thereof), the Participant will fully vest in and have the right to exercise all of his or her outstanding Options and Stock Appreciation Rights, including Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units will lapse, and, with respect to Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met. In addition, if an Option or Stock Appreciation Right is not assumed or substituted in the event of a merger or Change in Control, the Administrator will notify the Participant in writing or electronically that the Option or Stock Appreciation Right will be exercisable for a period of time determined by the Administrator in its sole discretion, and the Option or Stock Appreciation Right will terminate upon the expiration of such period.

For the purposes of this Section 16(c), an Award will be considered assumed if, following the merger or Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the merger or Change in Control, the consideration (whether stock, cash, or other securities or property) received in the merger or Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Restricted Stock Unit, Performance Unit or Performance Share, for each Share subject to such Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger or Change in Control.

For the purposes of this Section 16(c), an Award will be considered assumed if the Award is terminated in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained

upon the exercise of such Award or realization of the Participant's rights as of the date of the occurrence of the merger or Change in Control. Any such cash or property may be subjected to any escrow applicable to holders of Common Stock in the merger or Change in Control. If, as of the date of the occurrence of the merger or Change in Control, the Administrator determines that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment. The amount of cash or property can be subjected to vesting and paid to the Participant over the original vesting schedule of the Award.

Notwithstanding anything in Section 16(c) to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more Performance Goals will not be considered assumed if the Company or its successor modifies any of such Performance Goals without the Participant's consent; provided, however, a modification to such Performance Goals only to reflect the successor corporation's post-merger or post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

The Administrator will have authority to modify Awards in connection with a merger or Change in Control: (i) in a manner that causes the Awards to lose their tax-preferred status; (ii) to terminate any right a Participant has to exercise an Option prior to vesting in the Shares subject to the Option (i.e., "early exercise"), so that following the closing of the merger or Change in Control, the Option may only be exercised only to the extent it is vested; (iii) to reduce the per Share exercise price of an Award in a manner that is disproportionate to the increase in the number of Shares subject to the Award, as long as the amount that would be received upon exercise of the Award immediately before and immediately following the closing of the merger or Change in Control is equivalent and the adjustment complies with U.S. Treasury Regulation Section 1.409A-1(b)(v)(D); and (iv) to suspend a Participant's right to exercise an Option during a limited period of time preceding and or following the closing of the merger or Change in Control without Participant consent if such suspension is administratively necessary or advisable to permit the closing of the merger or Change in Control.

(d) Outside Director Awards. With respect to Awards granted to an Outside Director, in the event of a Change in Control, the Participant will fully vest in and have the right to exercise Options and Stock Appreciation Rights as to all of the Shares underlying such Award, including those Shares that would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units will lapse, and, with respect to Performance Units, Performance Shares, and Incentive Cash Bonuses, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels, prorated based on the portion of the Performance Period that elapsed as of immediately prior to the Change in Control. All other terms and conditions with respect to such Awards with performance-based vesting will be deemed met.

17. Tax.

(a) Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof) or such earlier time as any tax withholding obligations are due, the Company will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local, foreign or other taxes (including the Participant's employment tax obligations) required to be withheld with respect to such Award (or exercise thereof).

(b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part, by (without limitation) (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable Shares having a fair market value equal to the minimum statutory amount required to be withheld or a greater amount if that would not result in adverse financial accounting treatment, (iii) delivering to the Company already-owned Shares having a fair market value equal to the statutory amount required to be withheld, provided the delivery of such Shares will not result in any adverse accounting consequences, as the Administrator determines in its sole discretion, or (iv) selling a sufficient number of Shares otherwise deliverable to the Participant through such means as the Administrator may determine in its sole discretion (whether through

a broker or otherwise) equal to the amount required to be withheld. The amount of the withholding requirement will be deemed to include any amount that the Administrator agrees may be withheld at the time the election is made, not to exceed the amount determined by using the maximum federal, state or local marginal income tax rates applicable to the Participant with respect to the Award on the date that the amount of tax to be withheld is to be determined.

(c) Compliance With Section 409A. Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A, except as otherwise determined in the sole discretion of the Administrator. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Section 409A and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Administrator. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Section 409A, the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A.

18. Forfeiture Events.

(a) All Awards under the Plan will be subject to recoupment under the Company's current Clawback Policy effective December 5, 2014 and any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other Applicable Laws. In addition, the Administrator may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Administrator determines necessary or appropriate, including but not limited to a reacquisition right regarding previously acquired Shares or other cash or property. Unless this Section 18(a) is specifically mentioned and waived in an Award Agreement or other document, no recovery of compensation under a clawback policy or otherwise will be an event that triggers or contributes to any right of a Participant to resign for "good reason" or "constructive termination" (or similar term) under any agreement with the Company or a Subsidiary, Parent, or Affiliate of the Company.

(b) The Administrator may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award will be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but will not be limited to, termination of such Participant's status as Service Provider for cause or any specified action or inaction by a Participant, whether before or after such termination of service, that would constitute cause for termination of such Participant's status as a Service Provider.

19. No Effect on Employment or Service. Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider, nor will they interfere in any way with the Participant's right or the right of the Company, or Parent, Subsidiary, or Affiliate of the Company, as applicable, to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.

20. Grant Date. The grant date of an Award will be, for all purposes, the date that the Administrator makes the determination granting such Award or may be a later date if such later date is designated by the Administrator on the date of the determination or under an automatic grant policy. Notice of the grant will be provided to each Participant within a reasonable time after the date of such grant.

21. Term of Plan. Subject to Section 25 of the Plan, the Plan will become effective upon approval by the shareholders of the Company following its adoption by the Board. It will continue in effect until terminated under Section 22, but no Incentive Stock Options may be granted after 10 years from the date the Plan is adopted by the Board.

22. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board or Compensation Committee of the Board may amend, alter, suspend or terminate the Plan.

(b) Shareholder Approval. The Company will obtain shareholder approval of any Plan amendment to the extent necessary or desirable to comply with Applicable Laws.

(c) Consent of Participants Generally Required. Subject to Section 22(d) below, no amendment, alteration, suspension or termination of the Plan or an Award under it will materially impair the rights of any Participant without a signed, written agreement between the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it regarding Awards awarded under the Plan prior to such termination.

(d) Exceptions to Consent Requirement.

(i) A Participant's rights will not be deemed to have been impaired by any amendment, alteration, suspension or termination if the Administrator, in its sole discretion, determines that the amendment, alteration, suspension or termination taken as a whole, does not materially impair the Participant's rights; and

(ii) Subject to any limitations of Applicable Laws, the Administrator may amend the terms of any one or more Awards without the affected Participant's consent even if it does materially impair the Participant's right if such amendment is done:

(1) in a manner specified by the Plan,

(2) to maintain the qualified status of the Award as an Incentive Stock Option under Code Section 422,

(3) to change the terms of an Incentive Stock Option, if such change results in impairment of the Award only because it impairs the qualified status of the Award as an Incentive Stock Option under Code Section 422,

(4) to clarify the manner of exemption from Code Section 409A or compliance with any requirements necessary to avoid the imposition of additional tax under Code Section 409A(a)(1)(B), or

(5) to comply with other Applicable Laws.

23. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares will not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and may be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

(c) Failure to Accept Award. If a Participant has not accepted an Award or has not taken all administrative and other steps (e.g., setting up an account with a broker designated by the Company) necessary for the Company to issue Shares upon the vesting, exercise, or settlement of the Award prior to the first date the

Shares subject to such Award are scheduled to vest, then the Award will be cancelled on such date and the Shares subject to such Award immediately will revert to the Plan for no additional consideration unless otherwise provided by the Administrator.

24. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction or to complete or comply with the requirements of any registration or other qualification of the Shares under any state, federal or foreign law or under the rules and regulations of the Securities and Exchange Commission, the stock exchange on which Shares of the same class are then listed, or any other governmental or regulatory body, which authority, registration, qualification or rule compliance is deemed by the Company's counsel to be necessary or advisable for the issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority, registration, qualification or rule compliance will not have been obtained.

25. Shareholder Approval. The Plan will be subject to approval by the shareholders of the Company within 12 months after the date the Plan is adopted by the Board. Such shareholder approval will be obtained in the manner and to the degree required under Applicable Laws.

APPENDIX B

Calculation of Normalized Cash Flow for 2016 STIP Goal

	For the Year Ended 12/31/16 ($, in thousands)	
GOAL—Normalized Cash Flow		
Total Cash Receipts	$719,939	
Adjustment to normalize cash inflow (1)	$ (17,505)	
Normalized Cash Receipts		**$702,434**
Total Operating Expenses	$228,548	
Less Defined Non-Cash Expenses (2)		
Depreciation and amortization	$ (52,753)	
Other share-based compensation	$ (1,899)	
Add Capital Expenditures		
Purchases of property and equipment	$ 5,882	
Capitalized patent costs	$ 32,658	
Less Additional Items (3)		
Performance-based compensation	$ (41,175)	
Intellectual property enforcement and non-patent litigation	$ (16,546)	
Severance	$ (2,209)	
Net loss attributable to noncontrolling interest	$ (3,521)	
Normalized Expenses		**$148,985**
Normalized Cash Flow—Actual		**$553,449**
Normalized Cash Flow—Goal		**$400,000**
Total Achievement STIP Goal (4)		**270%**

(1) *As discussed in "Compensation Discussion and Analysis," we normalize the cash inflow under our license agreements to treat all licensing revenue as if it were negotiated as royalty bearing over the life of the agreement.*

(2) *Defined non-cash expenses include depreciation, patent amortization, and other share-based compensation (i.e. share-based awards other than those granted to employees under the LTCP).*

(3) *As discussed in "Compensation Discussion and Analysis," we also exclude certain items that (a) make the calculation iterative (e.g., performance-based compensation) or (b) are non-operational (e.g., intellectual property enforcement costs) or non-recurring (e.g., severance) in nature.*

(4) *As discussed in "Compensation Discussion and Analysis," goal achievement is calculated using straight-line interpolation between the target achievement level (which was between $300 million and $400 million of normalized cash flow) and the superior achievement level ($490 million of normalized cash flow), with a maximum potential goal achievement of 200%.*

Calculation of Normalized Cash Flow for 2014-2016 LTCP Goal

	For the Three Years Ended 12/31/16 ($, in thousands)	
GOAL—Normalized Cash Flow		
Total Cash Receipts	$1,688,544	
Adjustment to normalize cash inflow (1)	$ (93,066)	
Normalized Cash Receipts		**$1,595,478**
Total Operating Expenses	$ 708,295	
Less Defined Non-Cash Expenses (2)		
Depreciation and amortization	$ (142,792)	
Other share-based compensation	$ (6,803)	
Add Capital Expenditures		
Purchases of property and equipment	$ 16,677	
Capitalized patent costs	$ 94,356	
Less Additional ltems (3)		
Performance-based compensation	$ (109,572)	
Intellectual property enforcement and non-patent litigation	$ (101,475)	
Severance	$ (4,060)	
Net loss attributable to noncontrolling interest	$ (9,274)	
Normalized Expenses		**$ 445,352**
Normalized Cash Flow—Actual		**$1,150,126**
Normalized Cash Flow— Goal		**$ 700,000**
Total Achievement 2014-2016 LTCP Goal (4)		164%

(1) *As discussed in "Compensation Discussion and Analysis," we normalize the cash inflow under our license agreements to treat all licensing revenue as if it were negotiated as royalty bearing over the life of the agreement.*

(2) *Defined non-cash expenses include depreciation, patent amortization, and other share-based compensation (i.e. share-based awards other than those granted to employees under the LTCP).*

(3) *As discussed in "Compensation Discussion and Analysis," we also exclude certain items that (a) make the calculation iterative (e.g., performance-based compensation) or (b) are non-operational (e.g., intellectual property enforcement costs) or non-recurring (e.g., severance) in nature.*

(4) *As discussed in "Compensation Discussion and Analysis," for performance-based RSUs, 100% achievement of the associated performance goal results in a full vesting of the associated RSUs. With respect to the performance-based RSUs granted for the 2014-2016 LTCP cycle, for each 1% change above or below 100% achievement, the actual award amount was adjusted by 2.5 percentage points, with a threshold payout of 50% of target and a maximum payout of 200% of target.*

BOARD OF DIRECTORS

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Chairman of the Board, InterDigital, Inc.
Chief Executive Officer, Laser, Inc.

JEFFREY K. BELK
Managing Director, Forecast Ventures

JOAN H. GILLMAN
Former Executive Vice President,
Time Warner Cable Inc.

JOHN A. KRITZMACHER
Executive Vice President and Chief
Financial Officer, John Wiley & Sons, Inc.

JOHN D. MARKLEY, JR.
Managing Partner and Co-Founder,
New Amsterdam Growth Capital

WILLIAM J. MERRITT
President and Chief Executive Officer,
InterDigital, Inc.

KAI O. ÖISTÄMÖ
Executive Partner, Siris Capital

JEAN F. RANKIN
Former Executive Vice President,
General Counsel and Secretary,
LSI Corporation

ROBERT S. ROATH
Retired Chief Financial Officer,
RJR Nabisco, Inc.

PHILIP P. TRAHANAS
Former Managing Director,
General Atlantic LLC

EXECUTIVE OFFICERS

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Executive Vice President,
General Counsel and Secretary

SCOTT A. MCQUILKIN
Senior Executive Vice President,
Innovation

JAMES J. NOLAN
Executive Vice President, IoT Solutions

LAWRENCE F. SHAY
Senior Executive Vice President, Future
Wireless, and Chief Intellectual Property
Counsel

SHAREHOLDER INFORMATION

ANNUAL MEETING OF SHAREHOLDERS

Wednesday, June 14, 2017
11:00 a.m. Eastern Time
IDCC.onlineshareholdermeeting.com

COMMON STOCK INFORMATION

The primary market for InterDigital's common stock is the NASDAQ Global Select Market®. InterDigital trades under the ticker symbol "IDCC".

REGISTRAR AND TRANSFER AGENT

Shareholders with questions concerning stock certificates, shareholder records, account information, dividends, or stock transfers should contact InterDigital's transfer agent:

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