

INTERDIGITAL COMMUNICATIONS CORP

Form 11-K

July 01, 2002

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

☒ ANNUAL REPORT PURSUANT TO SECTION 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ending December 31, 2001

OR

☐ TRANSITION REPORT PURSUANT TO RULE 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 333-66626

INTERDIGITAL COMMUNICATIONS CORPORATION SAVINGS AND PROTECTION PLAN  
(Full Title of Plan)

INTERDIGITAL COMMUNICATIONS CORPORATION  
781 Third Avenue, King of Prussia, PA 19406-1409

-----  
(Name of Issuer of the Securities Held Pursuant to the Plan and  
Address of Principal Executive Offices and Zip Code)

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

PENNSYLVANIA

23-1882087

-----  
(State or other jurisdiction of  
incorporation or organization)

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

INTERDIGITAL COMMUNICATIONS CORPORATION SAVINGS AND PROTECTION PLAN

Table of Contents

## Edgar Filing: INTERDIGITAL COMMUNICATIONS CORP - Form 11-K

Report of Independent Public Accountants - Arthur Andersen LLP

Report of Independent Accountants - PricewaterhouseCoopers LLP

### Financial Information:

Statements of Net Assets Available for Benefits as of December 31, 2001 and 2000

Statements of Changes in Net Assets Available for Benefits for the Years Ended December 31, 2001 and 2000

Notes to Financial Statements

### Additional Information:

Schedule 1 - Schedule of Assets (Held at End of Year)

Other supplemental schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable.

Signature

Index to Exhibits

Consent of Independent Accountants

THE FOLLOWING REPORT OF ARTHUR ANDERSEN LLP IS A COPY OF A PREVIOUSLY ISSUED REPORT THAT HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP FOR PURPOSES OF INCLUSION IN THIS ANNUAL REPORT ON FORM 11-K.

Report of independent public accountants

To the Plan Administrator of the  
InterDigital Communications Corporation  
Savings and Protection Plan

We were engaged to audit the accompanying financial statements and supplemental schedule of the InterDigital Communications Corporation Savings and Protection Plan (the Plan) as of December 31, 2000 and 1999, and for the year ended December 31, 2000 as listed in the accompanying index. These financial statements and the schedule referred to below are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 1, which was certified by The Principal Life Insurance Company, the custodian of the Plan for 2000 and 1999, except for comparing such information with the related information included in the 2000 and 1999 financial statements and supplemental schedule. We have been informed by the plan administrator that the custodian holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification

## Edgar Filing: INTERDIGITAL COMMUNICATIONS CORP - Form 11-K

from the custodian as of December 31, 2000 and 1999 and for the year ended December 31, 2000, that the information provided to the plan administrator by the custodian is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and schedule taken as a whole. The form and content of the information included in the financial statements and schedule, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974

/s/ Arthur Andersen LLP

Philadelphia, Pennsylvania  
September 10, 2001

1

### Report of Independent Accountants

To the Participants and Administrator of  
InterDigital Communications Corporation Savings and Protection Plan:

In our opinion, the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of InterDigital Communications Corporation Savings and Protection Plan (the "Plan") at December 31, 2001 and for the year then ended, as listed in the accompanying index, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. This supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income

## Edgar Filing: INTERDIGITAL COMMUNICATIONS CORP - Form 11-K

Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 6, which was certified by The Principal Life Insurance Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of December 31, 2001 and for the year then ended, that the information provided to the plan administrator by the trustee is complete and accurate.

PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania  
June 24, 2002

2

### INTERDIGITAL COMMUNICATIONS CORPORATION SAVINGS AND PROTECTION PLAN

#### Statements of Net Assets Available for Benefits

|                                                                | As of December 31, |            |
|----------------------------------------------------------------|--------------------|------------|
|                                                                | 2001               | 2000       |
| -----                                                          |                    |            |
| ASSETS                                                         |                    |            |
| Investments, at fair value                                     |                    |            |
| Investments in pooled separate accounts (PSA's) at fair value: |                    |            |
| Money market separate account                                  | * \$ 799,669       | * \$ 527,9 |
| Bond & mortgage separate account                               | * 571,835          | 267,3      |
| Government securities separate account                         | 281,626            | 169,6      |
| Bond emphasis balanced separate account                        | 363,675            | 334,1      |
| Large cap stock index separate account                         | * 2,620,540        | * 2,897,7  |
| Large company blend separate account                           | * 851,298          | * 930,9    |
| Medium company value separate account                          | * 557,176          | * 453,2    |
| Real estate separate account                                   | 171,999            | 69,7       |
| Stock emphasis balanced separate account                       | 267,851            | 232,1      |
| Medium company blend separate account                          | * 826,993          | * 865,3    |
| Small company blend separate account                           | * 904,703          | * 840,0    |
| International stock separate account                           | 341,401            | * 476,6    |
| Principal Financial Group income stock separate account        | 267,957            |            |
| Guaranteed interest account                                    | 382,996            | 304,3      |
| Registered investment companies:                               |                    |            |
| Strong Opportunity Fund                                        | 196,450            |            |
| Vanguard Growth & Income Fund                                  | 65,228             |            |
| INVESCO Small Company Growth Fund                              | 73,550             |            |
| Janus Aspen Aggregate Growth Fund                              | 122,150            |            |
| T. Rowe Price Science & Technology Fund                        | 141,200            |            |
| Strong Growth Fund                                             | 76,723             |            |
| Putnam International Growth Fund                               | 121,966            |            |
| -----                                                          |                    |            |

# Edgar Filing: INTERDIGITAL COMMUNICATIONS CORP - Form 11-K

|                                   |               |            |
|-----------------------------------|---------------|------------|
|                                   | 10,006,986    | 8,369,2    |
| InterDigital Stock Fund           | 155,477       |            |
| Participant Loans                 | 27,500        | 72,6       |
|                                   | -----         | -----      |
| Total investments                 | 10,189,963    | 8,441,8    |
|                                   | -----         | -----      |
| Receivables                       |               |            |
| Employer's contributions          | 54            |            |
| Participant's contributions       | 399           |            |
|                                   | -----         | -----      |
| Total receivables                 | 453           |            |
|                                   | -----         | -----      |
| NET ASSETS AVAILABLE FOR BENEFITS | \$ 10,190,416 | \$ 8,441,8 |
|                                   | =====         | =====      |

\* Represents 5% or more of net assets available for benefits.  
The accompanying notes are an integral part of the financial statements.

3

## INTERDIGITAL COMMUNICATIONS CORPORATION SAVINGS AND PROTECTION PLAN

### Statement of Changes in Net Assets Available for Benefits

|                                               | Year Ended December 31, |           |
|-----------------------------------------------|-------------------------|-----------|
|                                               | 2001                    | 2000      |
|                                               | -----                   | -----     |
| Additions                                     |                         |           |
| Investment income (loss):                     |                         |           |
| Interest and dividend income, investments     | \$ 22,790               | \$ 20,384 |
| Net depreciation in fair value of investments | (579,105)               | (126,136) |
| Demutualization compensation                  | 209,198                 | -         |
|                                               | -----                   | -----     |
|                                               | (347,117)               | (105,752) |
|                                               | -----                   | -----     |
| Contributions:                                |                         |           |
| Employer                                      | 294,931                 | 214,814   |
| Participant                                   | 1,994,038               | 1,331,807 |
|                                               | -----                   | -----     |
|                                               | 2,288,969               | 1,546,621 |
|                                               | -----                   | -----     |
| Asset transfers in                            | 63,211                  | 110,079   |
|                                               | -----                   | -----     |
| Total additions                               | 2,005,063               | 1,550,948 |
|                                               | -----                   | -----     |
| Deductions                                    |                         |           |
| Payment of benefits                           | 236,298                 | 956,635   |
| Other deductions                              | 20,235                  | 2,760     |
|                                               | -----                   | -----     |

# Edgar Filing: INTERDIGITAL COMMUNICATIONS CORP - Form 11-K

|                                         |               |              |
|-----------------------------------------|---------------|--------------|
| Total deductions                        | 256,533       | 959,395      |
|                                         | -----         | -----        |
| Net increase                            | 1,748,530     | 591,553      |
| Net assets available for plan benefits: |               |              |
| Beginning of year                       | 8,441,886     | 7,850,333    |
|                                         | -----         | -----        |
| End of year                             | \$ 10,190,416 | \$ 8,441,886 |
|                                         | =====         | =====        |

The accompanying notes are an integral part of the financial statements.

4

## Notes to Financial Statements

### NOTE 1 - DESCRIPTION OF PLAN

The following description of InterDigital Communications Corporation Savings and Protection Plan (the "Plan") is provided for general information purposes. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

#### General

The Plan is a voluntary, defined contribution 401(k) plan for salaried and hourly employees of InterDigital Communications Corporation and its participating subsidiaries (the "Company") over the age of 18 who have completed one month of service. The Plan was established effective February 1, 1985 and restated effective January 1, 1997. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

#### Contributions

All participant contributions are made on a before-tax basis. Each participant may contribute from 1% to 15% of his or her annual compensation. Participant contributions cannot exceed Internal Revenue Service ("IRS") limitations for each plan year. For the 2001 and 2000 plan years, the IRS limit was \$10,500. If a participant's annual contributions exceed the dollar limitation set by the IRS, thereby requiring a distribution of such excess contributions, the participant will forfeit any employer matching contributions related to the distribution amount. Amounts forfeited will be used to reduce future employer contributions.

The Company may, at its sole discretion, contribute to the Plan through matching contributions and/or discretionary contributions. Beginning July 2001, the Company matches 50% of each participant's contribution, up to a maximum of 6% of a participant's pretax annual compensation. 50% of the Company match consists of cash and the other 50% is paid in the form of the Company's common stock. Discretionary contributions are lump-sum payments made to the Plan as determined from time to time by the Board of Directors of the Company. The Company did not make any discretionary contributions in 2001 or 2000.

The law limits the amount of annual compensation that may be used to determine contributions. The limit was \$170,000 in 2001 and 2000. The law also limits the amount of all contributions that can be made for or by a participant to the Plan in a year. That limit for 2001 was the lesser of 25% of annual compensation or

## Edgar Filing: INTERDIGITAL COMMUNICATIONS CORP - Form 11-K

\$35,000. In 2000 the limit was the lesser of 25% of annual compensation or \$30,000.

Employee rollover contributions from other qualified retirement plans are permitted; such rollover contributions are subject to the conditions and procedures set forth in the Plan.

### Participant Accounts

Each participant's account is credited with that participant's contributions and allocations of the Company's matching and discretionary contributions and Plan earnings and losses. Allocations of discretionary contributions are based on a participant's annual compensation relative to the total compensation of all other participants. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. Terminating participants forfeit nonvested Company contributions. Forfeitures are used to pay Plan expenses or reduce employer contributions.

### Vesting

Participants are immediately vested in their salary deferral and rollover contributions. Vesting in Company contributions is based on length of service. Participants vest 33% immediately upon commencement of employment. At their first and second anniversary of employment, individual participants are 67% and 100% vested, respectively.

5

### Participant Loans

Any participant who is an active employee may apply for a secured loan provided the request does not exceed the lesser of 50% of the vested account balance or \$50,000. The minimum loan amount is \$1,000. Only one loan may be made every 365 days and all loans are subject to approval by the Plan administrator. Loan terms are limited to five years. Upon termination of employment the outstanding principal and accrued interest balance is immediately payable. Interest rates are determined by the Plan administrator in accordance with prevailing market rates on similar types of loans, ranging between 6.50% and 11.00% at December 31, 2001. Interest paid by the participant is credited to the participant's account. If a participant's balance remains unpaid for more than 90 days after it is due, the loan will be in default on the outstanding loan amount and the vested account will be reduced by the amount of the unpaid principal and interest. The unpaid amount is treated as a taxable withdrawal and is subject to federal income taxes.

When a participant receives a distribution from the Plan, any outstanding principal plus accrued interest will be deducted from the amount of the distribution.

### Payment of Benefits

If a participant retires, dies, becomes permanently disabled, or otherwise separates from the Company, the participant or participant's beneficiary is entitled to the vested amount of his account as valued on the applicable valuation date. In the event of a participant's death, distribution of the participant's account will be made as soon as administratively practicable upon the receipt of appropriate documentation from the participant's designated beneficiary. Distributions for reasons of retirement, permanent disability or termination will be made upon written request. Distributions of a participant's account are typically made, subject to certain limitations, in a single payment, installment or deferred payment for the vested value of his/her account.

#### Plan Termination

The Company may amend or suspend the Plan and may terminate the Plan at any time subject to the provisions of ERISA; although there is no present intent to do so. However, no such action may cause the Plan's assets to be used for purposes other than the exclusive benefit of the participants and their beneficiaries. If the Plan is terminated, all participants' accounts shall become fully vested and all accounts of participants shall be distributed as soon as administratively possible.

6

#### Investment Options

All investments are participant directed except for 50% of the match contribution which by the terms of the Plan, is invested in Company stock. During the Plan years ending December 31, 2001 and 2000, participants were able to allocate their contributions, in 1% increments, among the following investment options:

##### Guaranteed Interest Account

This account invests in private-market bonds, commercial mortgages and mortgage backed securities. Contributions placed in this account earn a guaranteed rate of interest for either two or five year periods.

##### Money Market Account

This account invests in high-quality commercial paper. The average maturity is less than one month.

##### Bond & Mortgage Account

This account issues five-to-ten year bonds and commercial mortgages to companies located in various geographic regions.

##### Government Securities Account

This account invests in various types of government securities including GNMA, FNMA, FHLMC, SLMA.

##### Bond Emphasis Balanced Account

This account invests in other accounts of the Principal Financial Group. The account usually invests from 50-100% of its assets in conservative and moderate investment accounts, and 0-50% in aggressive investment accounts.

##### Large Cap Index Account

This account primarily invests in common stocks of those companies listed in the S&P 500 Stock Index.

##### Large Company Blend Account

This account invests in stocks of larger companies whose earnings and dividends are expected to be above average.

##### Medium Company Value Account

This account invests in medium-sized companies whose stock prices are perceived to be low, relative to the companies' assets, profits, and other measures.

##### Real Estate Account

This account invests in developed, rental properties including warehouses, office buildings, and retail properties. The properties are diversified by geographic location and type.



Stock Emphasis Balanced Account

This account invests in other accounts of the Principal Financial Group. The account usually invests from 50-100% of its assets in dynamic and aggressive investment accounts, and 0-50% in conservative investment accounts.

Medium Company Blend Account

This account invests in medium-sized stocks that offer a combination of value and earnings potential.

Small Company Blend Account

This account invests in smaller, established companies with above average long-term growth potential.

International Stock Account

This account invests in common stocks of companies located outside the United States. Industries are selected by evaluating economic, social and political factors of each market. Most investments are in Western Europe and Asia.

Principal Financial Group Income Stock Account

This account invests in stock of the Principal Financial Group. The value of its investment changes based on changes in the market value of the stock and expenses.

Strong Opportunity Fund

This fund seeks capital appreciation. The fund normally invests at least 70% of assets in equities, including common stocks, convertible debentures, preferred stocks, convertible preferred stocks, and warrants. It may invest up to 30% of assets in nonconvertible corporate and government intermediate-to long-term debt securities that the fund's management believes have capital-appreciation potential.

Vanguard Growth & Equity Fund

This fund seeks a total return greater than that of the S&P 500 Index on an annual basis. At least 65% (and more typically 90%) of the fund's assets are invested in securities included in the S&P 500 Index.

Invesco Small Company Growth Fund

This fund seeks to invest in smaller, established companies with above average long-term growth potential.

Janus Aspen Aggregate Growth Fund

This fund seeks long-term capital growth. The fund typically invests at least 50% of assets in securities issued by medium-sized companies whose market capitalizations fall within the range of the companies in the S&P MidCap 500 Index.

T. Rowe Price Technology & Growth Fund

This fund seeks long-term growth of capital. The fund normally invests at least 65% of assets in companies, both foreign and domestic, that seek to develop or use scientific and technological advances.

Strong Growth Fund

This fund seeks capital appreciation. The fund normally invests at least 65% of assets in equity securities and may invest in companies of any size.

## Edgar Filing: INTERDIGITAL COMMUNICATIONS CORP - Form 11-K

### Putnam International Growth Fund

This fund seeks capital appreciation. The fund invests mainly in common stocks of companies outside the United States. The fund normally invests at least 65% of assets in equity securities in companies located outside of the United States.

### InterDigital Stock Fund

This fund invests in the common stock of the Company.

Participants may change their investment options at any time.

### Plan Amendments

In June 2001, the Company's Compensation and Stock Option Committee authorized an amendment to the Plan to include increasing the Company's matching contribution from 25% to 50% of the first 6% of a participant's annual compensation that a participant contributes to the Plan (paying the 25% increased matching contribution in the Company's stock), adding the Company's stock to the selection of investment funds under the Plan, permitting an additional discretionary year-end Company contribution and, effective January 1, 2002, extending the vesting period for Company contributions to 36 months from the commencement of employment. The prior vesting policy permitted immediate vesting of 33% upon commencement of employment and vesting of 67% and 100% on the first and second anniversaries of commencement of employment, respectively.

In August 2001, 400,000 shares of the Company's authorized but unissued common stock were reserved for issuance to the account of participants in the Plan as matching contributions. An agreement was entered into between the Company on behalf of the Plan and Web401(k).com and Fidelity Investments to serve as third party administrator and Custodian, respectively, of the InterDigital Stock Fund.

### Reclassifications

Certain reclassifications have been made to prior year financial statements to conform to the current year presentations.

### NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

The following accounting policies, which conform with accounting principles generally accepted in the United States of America, have been used consistently in the preparation of the Plan's financial statements:

9

### Basis of Accounting

Accounting records are maintained by the custodian on the cash basis of accounting. The financial statements of the Plan reflect all material adjustments to place the financial statements on the accrual basis of accounting.

### Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of additions

## Edgar Filing: INTERDIGITAL COMMUNICATIONS CORP - Form 11-K

and deductions during the reporting period. Actual results could differ from those estimates.

### Investment Valuation and Income Recognition

Guaranteed Investment Contracts are stated at fair value. Shares of registered investment companies are valued at quoted market prices which represent the net asset value of shares held by the Plan at year-end. The InterDigital Stock Fund is valued at its year end unit closing price (comprised of common stock market price plus uninvested cash position). Participant loans are valued at cost, which approximates fair value.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is accrued when earned. Dividend income is recorded on the ex-dividend date. Capital gain distributions are included in dividend income.

### Payment of Benefits

Benefits are recorded when paid.

### Forfeited Accounts

At December 31, 2001 forfeited nonvested accounts totaled \$7,974. These forfeited accounts were fully utilized to reduce employer contributions with respect to 2001.

### NOTE 3 - INVESTMENT CONTRACT WITH INSURANCE COMPANIES

The Guaranteed Interest Account (the "Account") provides a guaranteed interest rate for a two year and five year period. The rate credited to the Account is the rate in effect on the day when each deposit is directed to the Account. To simplify reporting to Plan participants, all rates credited during the twelve-month period are averaged into a single composite rate.

The guarantees made with regard to the Account are supported by the general account of the Principal Financial Group. The general account is invested mostly in private placement bonds, commercial mortgages, and residential mortgages. The Account promises contract value for a benefit event, however, there is a market adjustment when funds are withdrawn prior to their maturity. Thus, the Account is not considered benefit responsive.

10

### NOTE 4 - INVESTMENTS

During 2001 and 2000, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

|                                 | December 31, |            |
|---------------------------------|--------------|------------|
|                                 | 2001         | 2000       |
|                                 | -----        | -----      |
| Pooled Separate Accounts        | \$ (488,229) | \$ (126,13 |
| Registered Investment Companies | (115,673)    |            |
| Company Stock                   | 24,797       |            |
|                                 | -----        | -----      |
|                                 | \$ (579,105) | \$ (126,13 |

# Edgar Filing: INTERDIGITAL COMMUNICATIONS CORP - Form 11-K

## NOTE 5 - NONPARTICIPANT-DIRECTED INVESTMENTS

Information about the components of and significant changes in net assets relative to the Plan's nonparticipant-directed investments are as follows:

|                                   | December 31,            |       |
|-----------------------------------|-------------------------|-------|
|                                   | 2001                    | 2000  |
|                                   | -----                   | ----- |
| Net Assets:                       |                         |       |
| InterDigital Stock Fund           | \$ 155,477              | \$ -  |
|                                   | =====                   | ===== |
|                                   |                         |       |
|                                   | Year Ended December 31, |       |
|                                   | 2001                    | 2000  |
|                                   | -----                   | ----- |
| Changes in Net Assets:            |                         |       |
| Contributions                     | \$ 132,048              | \$ -  |
| Dividend Income                   | 68                      | -     |
| Net Appreciation in Fair Value of |                         | -     |
| Investments                       | 24,742                  |       |
| Administrative Expenses           | (1,381)                 | -     |

## NOTE 6 - RELATED PARTY TRANSACTIONS

The Plan invests in shares of the Company's stock through the InterDigital Stock Fund and in Pooled Separate Account and Guaranteed Interest Account investments with the Principal Financial Group. Transactions in such investments qualify as party-in-interest transactions that are exempt from the prohibited transaction rules.

11

## NOTE 7- PLAN EXPENSES

All costs and expenses, exclusive of fees for participant loans, incurred in the administration of the Plan (i.e., trustee and recordkeeper fees) are currently paid by the Company.

## NOTE 8 -TAX STATUS

The IRS has determined and informed the Company by letter dated March 8, 2002 that the Plan satisfies the qualification requirements under Internal Revenue Code ("IRC") Section 401(a) and that the trust maintained in connection with the Plan satisfies the requirements for exemption under Section 501(a) of the IRC. The Company believes the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

## NOTE 9 -DEMUTUALIZATION PROCESS

# Edgar Filing: INTERDIGITAL COMMUNICATIONS CORP - Form 11-K

On March 31, 2001, the board of directors of Principal Mutual Holding Company unanimously adopted a plan converting the mutual organization into a stock company, a form of conversion known as demutualization. The demutualization was governed by Iowa law, which required approval by policyholders entitled to vote on the plan of conversion by two-thirds of the votes cast, and also by the Insurance Commissioner of the State of Iowa.

The policyholders entitled to a vote on the plan of conversion approved the plan at a meeting on July 24, 2001, by approximately 92% of the votes cast. A public hearing was held on the plan of conversion on July 25, 2001, and the Insurance Commissioner of the State of Iowa approved the plan of conversion on August 28, 2001.

Under the terms of the plan of conversion, effective October 26, 2001, Principal Financial Group completed its initial public offering. All membership interests in Principal Mutual Holding Company were extinguished on that date and eligible policyholders received compensation in the form of shares credited to the Principal Financial Group Income Separate Account. In December 2001, distribution to the Plan of demutualization compensation occurred in the amount of \$209,198.

12

## Schedule 1

### INTERDIGITAL COMMUNICATIONS CORPORATION SAVINGS AND PROTECTION PLAN

Schedule of Assets (Held at End of Year)  
As of December 31, 2001

-----  
InterDigital Communications Corporation Savings and Protection Plan -  
InterDigital Communications Corporation EIN 23-1882087

Attachment to Form 5500, Schedule H, Part IV, Line i:

| Identity of Issue                                       | Investment Type               | Current |
|---------------------------------------------------------|-------------------------------|---------|
| -----                                                   |                               |         |
| Guaranteed interest account                             | Pooled Separate Accounts      | \$ 382  |
| Money market separate account                           | Pooled Separate Accounts      | 799     |
| Bond & mortgage separate account                        | Pooled Separate Accounts      | 571     |
| Government securities separate account                  | Pooled Separate Accounts      | 281     |
| Bond emphasis balanced separate account                 | Pooled Separate Accounts      | 363     |
| Large cap stock index separate account                  | Pooled Separate Accounts      | 2,620   |
| Large company blend separate account                    | Pooled Separate Accounts      | 851     |
| Medium company value separate account                   | Pooled Separate Accounts      | 557     |
| Real estate separate account                            | Pooled Separate Accounts      | 171     |
| Stock emphasis balanced separate account                | Pooled Separate Accounts      | 267     |
| Medium company blend separate account                   | Pooled Separate Accounts      | 826     |
| Small company blend separate account                    | Pooled Separate Accounts      | 904     |
| International stock separate account                    | Pooled Separate Accounts      | 341     |
| Principal Financial Group income stock separate account | Pooled Separate Accounts      | 267     |
| Strong Opportunity Fund                                 | Registered Investment Company | 196     |
| Vanguard Growth & Income Fund                           | Registered Investment Company | 65      |

## Edgar Filing: INTERDIGITAL COMMUNICATIONS CORP - Form 11-K

|                                         |                               |     |
|-----------------------------------------|-------------------------------|-----|
| INVESCO Small Company Growth Fund       | Registered Investment Company | 73  |
| Janus Aspen Aggregate Growth Fund       | Registered Investment Company | 122 |
| T. Rowe Price Science & Technology Fund | Registered Investment Company | 141 |
| Strong Growth Fund                      | Registered Investment Company | 76  |
| Putnam International Growth Fund        | Registered Investment Company | 121 |
| InterDigital Stock Fund                 | Company Stock Fund            | 155 |
| Participant Loans                       | 6.50%-11.00%                  | 27  |

13

### SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

INTERDIGITAL COMMUNICATIONS CORPORATION  
SAVINGS AND PROTECTION PLAN

By: InterDigital Communications Corporation, in its  
capacity as Plan Sponsor and Plan Administrator

Date: July 1, 2002

By: /s/ R. J. Fagan

-----  
Richard J. Fagan  
Executive Vice President and Chief  
Financial Officer

14

### Index to Exhibits

Exhibit No.  
-----

Description  
-----

23

Consent of Independent Accountants

