

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

**FORM 10-K/A**  
(Amendment No. 2)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended October 31, 2009
- 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: 0-11254

**COPYTELE, INC.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**

**11-2622630**

(State or Other Jurisdiction of Incorporation or Organization)

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

**900 Walt Whitman Road**  
**Melville, NY 11747**  
**(631) 549-5900**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

**Securities registered pursuant to Section 12(b) of the Act:**  
**None**

**Securities registered pursuant to Section 12(g) of the Act:**  
**Common Stock, \$.01 par value**

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 Website, 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 of this chapter) 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.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

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

Aggregate market value of the voting stock (which consists solely of shares of Common Stock) held by non-affiliates of the registrant as of April 30, 2009 (the last business day of the registrant's most recently completed second fiscal quarter), computed by reference to the closing sale price of the registrant's Common Stock on the Over-the-Counter Bulletin Board on such date (\$0.29): \$33,998,452

On June 24, 2010, the registrant had outstanding 149,251,761 shares of Common Stock, par value \$.01 per share, which is the

registrant's only class of common stock.

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DOCUMENTS INCORPORATED BY REFERENCE:

NONE

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## EXPLANATORY NOTE

CopyTele, Inc. (the “Company”) is filing this Amendment No. 2 on Form 10-K/A (“Amendment No. 2”) to amend the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2009, which was originally filed with the Securities and Exchange Commission (the “SEC”) on January 29, 2010 (the “Original Filing”) and which was amended by Amendment No. 1 on Form 10-K/A, which was filed with the SEC on March 10, 2010 (“Amendment No. 1”). We are filing this Amendment No. 2 to respond to certain comments received from the staff of the SEC. Except for changes to those specific sections incorporated herein, this Amendment No. 2 does not reflect events occurring after the Original Filing, as amended by Amendment No. 1 and does not modify or update the disclosure therein in any way. Accordingly, this Amendment No. 2 should be read in conjunction with the other filings of the Company made with the SEC subsequent to the Original Filing, including any amendments to those filings.

Currently dated certifications from our Chief Executive Officer and Chief Financial Officer have been included as exhibits to this Amendment No. 2 as required by applicable SEC rules.

## PART I

### Item 1. Business.

#### *Forward-Looking Statements*

*Information included in this Annual Report on Form 10-K may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical facts, but rather reflect our current expectations concerning future events and results. We generally use the words “believes,” “expects,” “intends,” “plans,” “anticipates,” “likely,” “will” and similar expressions to identify forward-looking statements. Such forward-looking statements, including those concerning our expectations, involve risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks, uncertainties and factors include, but are not limited to, those factors set forth in this Annual Report on Form 10-K under “Item 1A. – Risk Factors” below. Except as required by applicable law, including the securities laws of the United States, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this Annual Report on Form 10-K.*

#### **Overview**

As used herein, “we,” “us,” “our,” the “Company” or “CopyTele” means CopyTele, Inc. unless otherwise indicated. Our principal operations include the development, production and marketing of thin, flat, low-voltage phosphor display technology, the development of thin, flat, low-power passive display technology and the development, production and marketing of multi-functional encryption products that provide information security for domestic and international users over virtually every communications media.

We have pioneered the basic development of an innovative new type of flat panel display technology, which is brighter, has higher contrast and consumes less power than our prior display technology. This new proprietary display is a color phosphor based display having a unique lower voltage electron emission system to excite the color phosphors. As with our prior display technology, the new technology emits light to display color images, such as movies from DVD players. In addition, we are also developing another version of our new type low voltage and low power display having a different matrix configuration and phosphor excitation system. These new type of displays are expected to be lower in cost than our prior displays.

In November 2007, we entered into a Technology License Agreement (as amended in May 2008, the “License Agreement”) with Videocon Industries Limited, an Indian company (“Videocon”). Under the License Agreement, we provide Videocon with a non-transferable, worldwide license of our technology for thin, flat, low voltage phosphor displays (the “Licensed Technology”), for Videocon (or a Videocon Group company) to produce and market products, including TVs, incorporating displays utilizing the Licensed Technology. Under the terms of the License Agreement, we were scheduled to receive a license fee of \$11 million from Videocon, payable in installments over a 27 month period, which commenced in May 2008 and continues until August 2010, and an agreed upon royalty from Videocon based on display sales by Videocon, which royalty will decrease after a specified sales level and time period are reached and may increase under other certain circumstances as a result of significant improvements in the Licensed Technology, as defined in the License Agreement. In April 2008, the Indian Government approved the License Agreement. See “Item 13. Certain Relationships and Related Transactions, and Director Independence.”

In May 2008, we received the first installment of the license fee of \$2,000,000. In March 2009, we agreed to defer license fee payments due from Videocon that had been scheduled to be paid in the second quarter of fiscal year 2009 and we separately agreed to reimburse Videocon \$250,000 for engineering services related to improved versions of our display technology, which amount was offset against amounts due from Videocon in lieu of a cash payment. In addition, in June 2009, we received a license fee payment from Videocon of \$250,000, which was due during the quarter ended April 30, 2009 pursuant to the modified payment terms. In August 2009, we received an additional license fee payment from Videocon of \$100,000, which was due during the quarter ended July 31, 2009 pursuant to the modified payment terms. As of October 31, 2009, we have received aggregate license fee payments of \$2,600,000. In January 2010, we agreed to defer the license fee payments due from Videocon that had been scheduled to be paid in the first quarter of fiscal year 2010. In March 2010, we received an additional license fee payment from Videocon of \$300,000, which was due during the quarter ended January 31, 2010 pursuant to the modified payment terms. While not contemplated or required by the terms of the License Agreement, after discussions with Videocon, we agreed to the payment deferrals in light of our joint decision to jointly develop improved versions of our display technology and the additional time and effort required by Videocon and us to incorporate the developmental improvements related thereto which are aimed at reducing the power consumption, improving the reliability and lowering the fabrication cost. However, the total amount of the payments did not change and Videocon's obligation to make such payments continues to be subject only to CopyTele's limited performance requirements described below and is not dependent on any specific performance standards which must be met by completion or delivery of prototypes of CopyTele's products in the development stage. Videocon's obligations with respect to the pre-production phase, and CopyTele's assistance, under the License Agreement remain unaffected. As of April 30, 2010, we have received aggregate license fee payments from Videocon of \$2.9 million. We presently anticipate that ongoing improvements to our display technology will likely result in future modifications of the timing of payments from Videocon that would materially affect in which future periods revenues from Videocon are recognized and which would delay the payment of the license fee beyond the 27 month period ending in August 2010. While Videocon's obligation with respect to the balance of the license fee remains in effect, we cannot presently estimate specific future payments dates for the remaining \$8.1 million of license fee payments; however, we are in discussion with Videocon for an additional payment.

Videocon is the flagship company of the Videocon Group, one of India's leading business houses. Videocon Group is a fully integrated consumer electronics and home appliances enterprise with backward integration in plasma panel, CRT glass, color picture tubes and other key components for the consumer electronics, home appliances and components industries. Videocon Group also operates in the oil & gas sector. The Videocon Group has sales and service networks throughout India and operates facilities in Europe and elsewhere in the world.

We are working with Videocon to implement our technology into production display modules. Under the License Agreement, Videocon, with our assistance, is to provide the design and process engineering required to produce such display modules and also provide all tooling and fixtures required for the production process. The display modules consist of our low voltage phosphor displays, the attached associated driver circuits, and controller circuits. Under the terms of the License Agreement, we are disclosing to Videocon the Licensed Technology, including any improvements, providing documentation and training of Videocon personnel, and cooperating with Videocon to jointly implement our technology prior to production to produce prototypes of such modules. In connection with our performance requirements under the License Agreement, we are providing technical information to Videocon, so they can understand the design and fabrication processes involved in our display technology. This includes providing the design and fabrication processes of the display components, such as the matrix which contains the structure to accommodate our electron emission technology and the color phosphors that are used to illuminate our displays. Other components and fabrication processes include the design details of the electron emission system materials and specifications, the methods, materials and processes required to obtain a vacuum for our display operation and the methods and electronics involved to operate, test, and evaluate the performance of the display. We and Videocon are improving the design and processes to optimize the displays performance and implement these improvements into display modules. We are also using the assistance of Volga Svet Ltd., a Russian corporation (“Volga”) and an Asian company to implement these improvements. Improvements to the technology are to be jointly owned by CopyTele and Videocon.

Under the License Agreement we continue to have the right to produce and market products utilizing the Licensed Technology. We also continue to have the right to utilize Volga, with whom we have been working with for more than twelve years, and the Asian company, with whom we have been working with for more than six years, to produce and market, products utilizing the Licensed Technology. Additional licenses of the Licensed Technology to third parties require the joint agreement of CopyTele and Videocon.

In connection with the License Agreement, Videocon and CopyTele each have the right to appoint one senior advisor to the other’s board of directors for the term of the license granted under the License Agreement. Such appointments are limited to advise with respect to strategic planning and technology in the display field and does not grant such senior advisor any rights with respect to involvement in the overall management or operations of the Company. While Videocon and CopyTele have made such appointments and the senior advisors from each of the companies are in communications with each other with respect to strategic planning and technology in the display field, the senior advisors have not had any interactions with the other’s board of directors and do not and have not attended any board of director meetings. Such senior advisors do not presently intend to have any interactions with the other’s board of directors in the future.

At the same time as we entered into the original License Agreement with Videocon, we also entered into a Share Subscription Agreement (the "Share Subscription Agreement") with Mars Overseas Limited, an affiliate of Videocon ("Mars Overseas"). Under the Share Subscription Agreement, Mars Overseas purchased 20,000,000 unregistered shares of our common stock (the "CopyTele Shares") from us for an aggregate purchase price of \$16,200,000, which was valued based on the actively traded market price of our common stock. The purchase of the CopyTele Shares pursuant to the Subscription Agreement closed in November 2007. Also in November 2007, our wholly-owned British Virgin Islands subsidiary, CopyTele International Ltd. ("CopyTele International"), entered into a GDR Purchase Agreement, as amended (the "Purchase Agreement") with Global EPC Ventures Limited ("Global"), for CopyTele International to purchase from Global 1,495,845 global depository receipts of Videocon (the "Videocon GDRs"), acquired by Global on the Luxembourg Stock Exchange for an aggregate purchase price of \$16,200,000. The price of the Videocon global depository receipts on the Luxembourg Stock Exchange is based on the underlying price of Videocon's equity shares which are traded on stock exchanges in India with prices quoted in rupees. The purchase of the Videocon GDRs pursuant to the Purchase Agreement closed in December 2007. For the purpose of effecting a lock up of the Videocon GDRs and CopyTele Shares (collectively, the "Securities") for a period of seven years, and therefore restricting both parties from selling or transferring the Securities during such period, CopyTele International and Mars Overseas entered into two Loan and Pledge Agreements in November 2007. The Videocon GDRs are to be held as security for a loan in the principal amount of \$5,000,000 from Mars Overseas to CopyTele International, and the CopyTele Shares are similarly held as security for a loan in the principal amount of \$5,000,000 from CopyTele International to Mars Overseas. The loans are for a term of seven years and do not bear interest. See Note 1 to the Consolidated Financial Statements.

Our display technology includes a proprietary mixture of specially coated carbon nanotubes and nano materials in combination with our proprietary low voltage color phosphors. The specially coated carbon nanotubes, which are supplied to us by a U.S. company, and nano materials, require a low voltage for electron emission and are extremely small – approximately 10,000 times thinner than the width of a human hair. The 5.5 inch (diagonal) display we developed has 960 x 234 pixels and utilizes a new memory-based active matrix thin film technology with each pixel phosphor activated by electrons emitted by a proprietary carbon nanotube network located extremely close from the pixels. The matrix also has a high pixel field factor to obtain high contrast and low power consumption. As a result, each pixel phosphor brightness is controlled using less than 40 volts. The carbon nanotubes and proprietary color phosphors are precisely placed and separated utilizing our proprietary nanotube and phosphor deposition technology. We have developed a process of maintaining uniform carbon nanotube deposition independent of phosphor deposition. We have also developed a method of enhancing nanotube electron emission to increase the brightness of this type of display.

We believe our displays could potentially have a cost similar to a CRT and thus cost less than current LCD or PDP displays partly because our display does not contain a backlight, or color filter or polarizer, which represents a substantial portion of the cost of an LCD.

In August 2009, we entered into a development agreement with a U.S. company to provide engineering and implementation support for the development of our patented extremely low power passive monochrome or color display for use in portable devices. This company has experience in the field involving portions of our display technology. Our proprietary extremely low power display that we are developing, in conjunction with this U.S. company, incorporates a new micro-matrix substrate. The display is designed to have bi-stability capability, and uses low power when an image is being created. Once an image is created, power consumption is negligible. The display is expected to have both monochrome and or color capability, and operate over wide temperature and environmental conditions. The display utilizes a single substrate so that it can be extremely thin, rugged and low weight. This display can be made in any size, is expected to be low cost, and is especially suitable for portable devices, such as, cell phones, I-phones, e-books, and other potential portable devices. We have jointly formulated display designs and have completed simulation analyses to optimize the display configuration.



With the arrival of the rapidly expanding digital book and news media applications, in August 2009, we entered into an Engagement Agreement with ZQX Advisors, LLC (“ZQX”) to assist us in seeking business opportunities and licenses for our electrophoretic display technology (E-Paper®). ZQX has an experienced business and legal team to assist us in this area. Concurrently with entering into the Engagement Agreement, we acquired a 19.5% ownership interest in ZQX in exchange for 800,000 unregistered shares of our common stock and warrants to purchase an additional 500,000 unregistered shares of our common stock, of which warrants to purchase 250,000 shares are exercisable at \$0.37 per share and warrants to purchase 250,000 shares are exercisable at \$0.555 per share. The warrants expire in August 2019.

In September 2009, we entered into a Technology License Agreement with Volga to produce and market our thin, flat, low voltage phosphor displays in Russia. We have been working with Volga for the past 12 years to assist us with our low voltage phosphor displays. As part of our Technology License Agreement with Volga, we expect to receive revenues from Volga, as it is required to purchase the matrix substrate, carbon nanotubes, and associated display electronics from us.

In addition, in September 2009, we entered into a separate agreement with Volga whereby we have obtained a 19.9% ownership interest in Volga in exchange for 150,000 unregistered shares of our common stock.

We continue to pursue opportunities to market our voice, fax and data encryption solutions in commercial and government markets. Our full array of hardware and software products provide security over landline and wireless telephone systems and networks.

Our government and international markets are being supported by distributors of Thuraya satellite telephones and communication services. The Thuraya satellite network provides blanket coverage to more than 110 countries in Europe, North, Central Africa and large parts of Southern Africa, the Middle East, Central and South Asia and has grown as a communications provider due to its geographic coverage, quality of service and cost effective usage.

We have developed a full lineup of specialized products for the Thuraya satellite network that we are continuing to promote, including our DCS-1400D (docker voice encryption device), USS-900T (satellite fax encryption device), USS-900TL (landline to satellite fax encryption device), USS-900WF (satellite and cellular fax encryption device), USS-900WFL (landline to satellite and cellular fax encryption device) and USS-900TC (satellite fax encryption to computer) products, which were specifically designed for the Thuraya satellite network.

Our products are being used by government agencies, military, as well as domestic and international non-governmental organizations in the Middle East, Europe, Far East and Africa. Our products are now being evaluated for use by Middle Eastern and Far Eastern governments.

Asia Pacific Satellite Industries ("APSI") has manufactured new Thuraya handsets and docking units that allow satellite communications both outdoors and indoors. We have created devices allowing customers to easily set up and engage in secure communications over the Thuraya satellite network compatible with landline telephone systems. APSI's FDU-3500 docking unit for its SO-2510 phone allows for outdoor and indoor operation of the satellite phone on the Thuraya satellite network. Our PA-3500 and PA-3500T products allow compatibility between our DCS-1200, DCS-1400 and USS-900T encryption devices and the APSI FDU-3500 docking unit and SO-2510 phone.

Our products provide secure communications with many different satellite phones, including the Thuraya 7100/7101/SO-2510 handheld terminal ("HHT"), Globalstar GSP-1600 HHT, Telit SAT-550/600 HHT, Globalstar GSP-2800/2900 fixed phone, Iridium 9500/9505/9505A HHT, Inmarsat M4 and Mini "M" HHT units from Thrane & Thrane and Nera. Through the use of our products, encrypted satellite communications are available for many Thuraya docking units, including Teknobil's Next Thuraya Docker, Thuraya's Fixed Docking Adapter, APSI's FDU-2500 and FDU-3500 Fixed Docking Units, and Sattrans's SAT-OFFICE Fixed Docking Unit and SAT-VDA Hands-Free Car Kit.

We have designed and developed a breathe of products that provide flexible security performance, whether using any of the many satellite phones or docking units on the market while having the ability of using the same device or compatible device on cellular or landline phones. We are continuing our consultations with specialists of the Inmarsat BGAN system and the new Iridium USB satellite phone developing compliant encryption solutions that offer new opportunity and an increased customer base. We continue to seek opportunities to market our products for securing landline and wireless voice and fax communications. Our specific Thuraya products are being evaluated for use by a Middle Eastern government. Also, a Far Eastern government is in the process of determining the system requirements necessary to encrypt voice communications utilizing our USS-900, DCS-1200 and DCS-1400 products.

We were incorporated on November 5, 1982 under the laws of the State of Delaware. Our principal executive offices are located at 900 Walt Whitman Road, Melville, New York 11747, our telephone number is 631-549-5900, and our Internet website address is [www.copyle.com](http://www.copyle.com). We make available free of charge on or through our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements on Schedule 14A, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the Securities and Exchange Commission (the "SEC").

## **New Technologies Under Development**

The following new technologies have not been incorporated into commercially marketable products and have not generated any product revenue:

### **Display Technology**

We are continuing to pursue our efforts to develop new technologies for our color nanotube and E-Paper® displays. We are continuing to develop another version of our new type low voltage and low power nanotube display having a different matrix configuration and phosphor excitation system. This new type of display is covered under the license provided to Videocon and is expected to be lower in cost to produce than our prior displays.

### **Flat Panel Video Display Products**

We are working with Videocon to implement our technology into production display modules. The display modules consist of our low voltage phosphor displays, the attached associated driver circuits, and controller circuits. Under the License Agreement, Videocon, with our assistance, is to provide the design and process engineering required to produce such display modules and also provide all tooling and fixtures required for the production process. We are also producing color displays modules, with the assistance of Volga and the Asian company, which incorporate the new type of matrix and phosphor excitation system described above.

### **Encryption Technology**

We are continually engaged in the development of additional capabilities for our current product lines as well as the development of new products to meet current and anticipated customer applications. We are further developing encryption products and pursuing commercial security opportunities created by the Health Insurance Portability and Accountability Act (“HIPAA”), the Sarbanes-Oxley Act, the Gramm-Leach-Bliley Act and other corporate governance requirements.

Other products under development include the following:

- A voice encryption device for integration into the APSI SO-2510 handset that takes advantage of the Thuraya voice network. This application simplifies the customer’s security configuration while reducing the utilization costs.
- Advancing our compatibility with Universal Serial Bus (USB) connected cellular and satellite phones with our DCS-1400 device. The additional services will expand our wireless compatibility domestically and abroad.
- A software based voice encryption solution that is capable of running on new “smart phone” cellular/Voice Over Internet Protocol (VoIP) devices.

## **Production**

### **Encryption Products**

Our hardware encryption products consist of a printed circuit board populated with electronic components and connectors enclosed in a plastic case. We design all the hardware, software, packaging and operating manuals for our products. The four main electronic components – the Citadel™ CCX encryption chip or hardware key generator chip; a digital signal processor; a vocoder; and modems – are contained on a printed circuit board. We are currently using several U.S.-based electronics-production contractors to procure the printed circuit boards and mount the associated electronics components on the circuit board. We currently use approximately a dozen primary component and printed circuit-board suppliers and one production assembly contractor. Given normal lead times, we anticipate having a readily available supply of all electronic components that we require for assembling our encryption products.

Our production contractors produce and visually inspect the completed circuit boards. We perform final assembly, including installation of the software, by enclosing the completed printed circuit boards into the product and performing functionality testing of all units at our premises at Melville, New York prior to shipment to our customers. We test our finished products using internally developed product assurance testing procedures. We currently produce our line of products in quantities to meet marketing requirements.

## **Marketing and Sales**

### **Flat Panel Video Display Products**

Under our License Agreement with Videocon, Videocon (or a Videocon Group company) is to market the products it produces that incorporate displays utilizing our technology. We are cooperating with Videocon to implement our display technology for Videocon to produce such products, including TV's.

### **Encryption Products**

During the past year we have continued to direct our marketing efforts to participate in the security opportunities created by the U.S. Department of Homeland Security, the Defense Department, and the enactment of laws such as HIPAA, the Sarbanes-Oxley Act, and Gramm-Leach-Bliley Act, which mandate that government and private sector firms provide higher levels of information privacy and security. We are working on applications involving our encryption technology that offer simple, straight-forward compliance measures for these laws.

Our distributors market our line of encryption products to domestic and international commercial and government customers. These products include voice, fax and data devices on a non-exclusive basis. We are also supported by international Thuraya service providers to distribute our encryption equipment abroad. The launch of the third Thuraya Geo-mobile satellite in January 2008 allowed Thuraya to embark on major expansion plans to provide their mobile satellite services in the Asia-Pacific region, potentially opening new markets for CopyTele security solutions that are designed for the Thuraya network.

In addition, we presently use a network of distributors in the security field and original equipment manufacturers which market our encryption products on a non-exclusive basis. These distributors, along with our internal marketing group, have sold and marketed our encryption products to multinational corporations, U.S. and foreign governments and local and federal law enforcement agencies.

We continue to provide training and technical support to our customers and to our distributors and dealers.

### **Customers**

During fiscal year 2009, we recognized approximately \$913,000 in net revenue from Videocon, representing approximately 95% of net revenue in our Display Technology Segment and approximately 87% of our total net revenue. During fiscal year 2008, we recognized approximately \$1,687,000 in net revenue in our Display Technology Segment from Videocon (constituting all of the revenue in such segment), representing approximately 82% of our total net revenue. During fiscal year 2007, we recognized \$240,000 in net revenue from Digital Info Security Co. Inc. ("DISC"), representing approximately 49% of our total net revenue, and approximately \$143,000 in net revenue from Delta Bridge, Inc, representing approximately 29% of total net revenue. All net revenue during fiscal year 2007 was in our Encryption Products and Services Segment.

### **Competition**

The market for encryption products and flat panel displays worldwide is highly competitive and subject to technological changes. Although successful product and systems development is not necessarily dependent on substantial financial resources, most of our competitors are larger than us and possess financial, research, service support, marketing, manufacturing and other resources significantly greater than ours.

There are several other companies that sell hardware and/or software encryption products and there are many large companies that sell flat panel displays. We believe, however, that the technology contained in our encryption products and our flat panel displays have features that distinguish them from the products being sold by our competitors. The encryption security and flat panel display markets are likely to be characterized by rapid advances in technology and the continuing introduction of new products that could render our products obsolete or non-competitive. We can give no assurances that we will be able to compete successfully in the market for our encryption products and our flat panel displays.

### **Patents**

We have received patents from the United States and certain foreign patent offices, expiring at various dates between 2010 and 2027. We have also filed or are planning to file patent applications for our video and E-Paper® displays, and encryption technologies.

We can give no assurances that patents will be issued for any of our pending applications. In addition, we can give no assurances that any patents held or obtained will sufficiently protect us against our competitors. We are not aware that any of our encryption products are infringing upon the patents of others. We cannot provide any assurances, however, that other products developed by us, if any, will not infringe upon the patents of others, or that we will not have to obtain licenses under the patents of others, although we are not aware of any such infringement at this time.

We believe that the foregoing patents are significant to our future operations.

### **Research and Development**

Research and development expenses were approximately \$4,116,000, \$4,127,000, and \$3,404,000 for the fiscal years ended October 31, 2009, 2008 and 2007, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" below and our Consolidated Financial Statements.

### **Employees and Consultants**

We had 20 employees and 14 consultants as of October 31, 2009. Eighteen of these individuals, including our Chairman of the Board and Chief Executive Officer, are engaged in research and development. Their backgrounds include expertise in physics, chemistry, optics and electronics. Six individuals are engaged in marketing and the remaining individuals are engaged in administrative and financial functions for us. None of our employees is represented by a labor organization or union.

### **Regulation**

Our international sales of our encryption devices, technology and software solutions are subject to U.S. and foreign regulations such as the International Traffic in Arms Regulations ("ITAR") and Export Administration Regulations and may require licenses (including export licenses) from U.S. government agencies or require the payment of certain tariffs. In addition, in accordance with applicable regulations, we file the requisite semiannually reports on exports of these products with the applicable U.S. government agencies. Our ability to export in the future is dependent upon our ability to obtain the export authorization from the appropriate U.S. government agency. In addition, in accordance with Export Administration Regulations, without a valid export license, we are prohibited from exporting these products to any country that the U.S. State Department has identified as state sponsors of terrorism and are subject to U.S. economic sanctions and export controls, which includes Cuba, Iran, Sudan and Syria. However, neither we nor any of our subsidiaries have ever exported, or currently anticipate exporting, any goods or services to any such countries either directly or to our knowledge, indirectly through any distributor or licensee, nor have we ever had, or anticipate in the future having, any direct or indirect arrangements or other contacts with the governments of those countries or entities controlled by those governments. Furthermore, before we make any domestic or international shipments of encryption equipment, software or technology, we confirm that the recipient is not on any denied person or similar list maintained by the U.S. Department of Commerce, Bureau of Industry and Security.

## Financial Information About Segments and Geographical Areas

See our Consolidated Financial Statements.

### **Item 1A. Risk Factors.**

Our business involves a high degree of risk and uncertainty, including the following risks and uncertainties:

- **We have experienced significant net losses and negative cash flows from operations and they may continue.**

We have had net losses and negative cash flows from operations in each year since our inception, and we may continue to incur substantial losses and experience substantial negative cash flows from operations. We have incurred substantial costs and expenses in developing our encryption and flat panel display technologies and in our efforts to produce commercially marketable products incorporating our technology. We have had limited sales of products to support our operations from inception through October 31, 2009. We have set forth below our net losses, research and development expenses and net cash used in operations for the three fiscal years ended October 31, 2009, 2008 and 2007:

	Fiscal Years Ended October 31,		
	2009	2008	2007
Net loss	\$ 16,489,015	\$ 5,821,604	\$ 5,458,218
Research and development expenses	4,116,200	4,127,393	3,403,943
Net cash used in operations	2,501,566	901,868	2,396,859

- **We may need additional funding in the future which may not be available on acceptable terms and, if available, may result in dilution to our stockholders.**

We anticipate that, if cash generated from operations is insufficient to satisfy our requirements, we will require additional funding to continue our research and development activities and market our products. We believe that our existing cash, cash equivalents, investments in U.S. government securities and accounts receivable, together with cash flows from expected sales of our encryption products and revenue relating to our thin, flat, low-voltage phosphor display technology, but without regard to the timing or amount of license fees and royalties from Videocon, will be sufficient to enable us to continue our marketing, production, and research and development activities. However, our projections of future cash needs and cash flows may differ from actual results. If current cash and cash that may be generated from operations are insufficient to satisfy our liquidity requirements, we may seek to sell debt or equity securities or to obtain a line of credit. The sale of additional equity securities or convertible debt could result in dilution to our stockholders. It is also management's intention to continue to compensate employees by issuing stock or stock options. We currently have no arrangements with respect to additional financing. We can give no assurances that we will generate sufficient revenues in the future (through sales, license fees and royalties, or otherwise) to satisfy our liquidity requirements or sustain future operations, that our production capabilities will be adequate, that other products will not be produced by other companies that will render our products obsolete, or that other sources of funding would be available, if needed, on favorable terms or at all. If we cannot obtain such funding if needed, we would need to curtail or cease some or all of our operations.

- **We may not generate sufficient revenue to support our operations in the future or to generate profits.**

Our principal operations include the development, production and marketing of thin, flat, low-voltage phosphor display technology, the development of thin, flat, low-power passive display technology and the development, production and marketing of multi-functional encryption products that provide information security for domestic and international users over virtually every communications media. In May 2008, we began receiving license fees related to our display technology from Videocon pursuant to the License Agreement. The License Agreement provides for payment of additional license fees over the next fiscal year as well as the payment of certain royalties based on sales of products containing our display technology. However, we can give no assurances that thereafter we will receive any license or similar fees relating to our display technology or that we will receive any royalty payments from Videocon. In addition, our arrangements with Videocon involve counterparty risk. Our encryption products are only in their initial stages of commercial production. Our investments in research and development are considerable. Our ability to generate sufficient revenues to support our operations in the future or to generate profits will depend upon numerous factors, many of which are beyond our control, including, but not limited to:

- Our and Videocon's ability to implement our technology for Videocon to produce and market products containing our displays.
- The capability of Volga, with whom we have been working for twelve years, to produce color and monochrome displays and supply them to us.
- Our ability to successfully market our line of encryption products.
- Our production capabilities and those of our suppliers as required for the production of our encryption products.
- Long-term performance of our products.
- The capability of our dealers and distributors to adequately service our encryption products.
- Our ability to maintain an acceptable pricing level to end-users for both our encryption and display products.
- The ability of suppliers to meet our and Videocon's requirements and schedule.
- Our ability to successfully develop other new products under development, including our thin, flat, low-power passive display technology.
- Rapidly changing consumer preferences.
- The possible development of competitive products that could render our products obsolete or unmarketable.
- Our future negotiations with Volga with respect to payments and other arrangements with Volga.



- Our ability to successfully implement and commercialize our E-Paper® display technology.

Because our revenue is subject to fluctuation, we may be unable to reduce operating expenses quickly enough to offset any unexpected revenue shortfall. If we have a shortfall in revenue in relation to expenses, our operating results would suffer. Our operating results for any particular fiscal year may not be indicative of future operating results. You should not rely on year-to-year comparisons of results of operations as an indication of our future performance.

- **The loss of Videocon as a customer could materially and adversely affect our results of operations and financial condition.**

Approximately 95% of our net revenue in our Display Technology Segment and approximately 87% of our total net revenue during fiscal year 2009 and all of our net revenue in our Display Technology Segment and approximately 82% of our total net revenue during fiscal year 2008 came from Videocon. The loss of Videocon as a customer could have a material adverse effect on our results of operations or financial condition. We may not be able to maintain our customer relationship with Videocon or Videocon may delay performance under, or fail to comply with, the payment terms of the License Agreement, all of which could materially and adversely affect our results of operations or financial condition. Any reduction in the amount of revenue that we derive from Videocon, without an offsetting increase in new sales to other customers, could have a material adverse effect on our operating results.

- **Future modifications of the timing of payments of our license agreement with Videocon could occur that might materially affect which future periods in which revenues are recognized.**

Under the License Agreement, we were scheduled to receive a license fee of \$11 million from Videocon, payable in installments over a 27 month period, which commenced in May 2008 and continues until August 2010. We agreed to defer the license fee payments due from Videocon that had been scheduled to be paid in the second quarter of fiscal year 2009 and the first quarter of fiscal year 2010. As of April 30, 2010, we have received aggregate license fee payments from Videocon of \$2.9 million. We presently anticipate that ongoing improvements to our display technology will likely result in future modifications of the timing of payments from Videocon that would materially affect in which future periods revenues from Videocon are recognized and which would delay the payment of the license fee beyond the 27 month period ending in August 2010. While Videocon's obligation with respect to the balance of the license fee remains in effect, we cannot presently estimate specific future payments dates for the remaining \$8.1 million of license fee payments; however, we are in discussion with Videocon for an additional payment.

- **A substantial portion of our business is with Videocon, a company governed by the laws of India and accordingly, we are faced with the inherent risks of doing business in a foreign country.**

There are risks inherent in doing business in a foreign country. Risks of doing business with a foreign company could materially and adversely affect our results of operations and financial condition. These risks include, but are not limited to, unpredictable changes in or application of taxation regulations, foreign exchange controls, uncertain or unpredictable political, legal and economic environments and invalidity of government approvals. The occurrence of one or more of these events or a change in existing policy could have a material adverse effect on our cash flows, earnings, results of operations, and financial condition. These risks may limit or disrupt our operations, restrict the movement of funds or impair contract rights.

In addition, the License Agreement with Videocon provides that it is governed by the law of India and accordingly, in the event of a dispute regarding the License Agreement with Videocon, it may be necessary for us to resolve such dispute in India or another foreign country, where we would be faced with unfamiliar laws and procedures. The resolution of disputes in foreign countries can be costly and time consuming, similar to the situation in the United States. However, in a foreign country, we face the additional burden of understanding unfamiliar laws and procedures. We may not be entitled to a jury trial, as we might be in the United States. Further, to litigate or arbitrate in a foreign country, we would be faced with the necessity of hiring lawyers and other professionals who are familiar with the foreign laws. For these reasons, we may incur unforeseen expenses if we are forced to resolve a dispute in India or any other foreign country.

- **Our arrangements with Videocon involve market risks.**

At the same time as we entered into the License Agreement, we entered into the Share Subscription Agreement with Mars Overseas, to purchase 20,000,000 unregistered shares of our common stock (the "CopyTele Shares"), and a subsidiary of ours, CopyTele International, entered into a GDR Purchase Agreement to purchase 1,495,845 GDRs of Videocon (the "Videocon GDRs"). The value of the Videocon GDRs owned by us depends upon, among other things, the value of Videocon's securities in its home market of India, as well as exchange rates between the U.S. dollar and Indian rupee (the currency in which Videocon's securities are traded in its home market). The value of the Videocon GDRs declined substantially in fiscal year 2008 and while it has partially recovered in fiscal year 2009, we recorded an other than temporary impairment. We can give no assurances that the value of the Videocon GDRs will not decline in the future and future write downs may occur.

In addition, for the purpose of effecting a lock up of the Videocon GDRs and CopyTele Shares (collectively, the "Securities") for a period of seven years, and therefore restricting both parties from selling or transferring the Securities during such period, CopyTele International and Mars Overseas entered into two Loan and Pledge Agreements. The Videocon GDRs are to be held as security for a loan in the principal amount of \$5,000,000 from Mars Overseas to CopyTele International, and the CopyTele Shares are similarly held as security for a loan in the principal amount of \$5,000,000 from CopyTele International to Mars Overseas. The loans are for a term of seven years and do not bear interest. The loan agreements also provide for customary events of default which may result in forfeiture of the Securities by the defaulting party. We can give no assurances that the respective parties receiving such loans will not default on such loans.

- **Our arrangements with Volga involve liquidity and market risks.**

At the same time as we entered into the Technology License Agreement with Volga, we acquired a 19.9% ownership interest in Volga in exchange for 150,000 unregistered shares of our common stock. The Volga shares are not publicly traded and there is no assurance that we will be able to sell the shares at an acceptable price, if at all.

- **We are dependent upon a few key employees and the loss of their services could adversely affect us.**

Our future success is dependent on our ability to hire, retain and motivate highly qualified personnel. In particular, our success depends on the continued efforts of our Chief Executive Officer, Denis A. Krusos, who is engaged in the management and operations of our business, including all aspects of the development, production and marketing of our encryption products and flat panel display technology. In addition, Mr. Krusos, as well as our other skilled management and technical personnel, are important to our future business and financial arrangements. We do not have an employment agreement with, nor do we maintain “key person” life insurance on, Mr. Krusos. The loss of the services of any such persons could have a material adverse effect on our business and operating results.

- **A substantial portion of the Company’s material products have not been incorporated into commercially marketable products, have not generated any product revenue and may not generate product revenue in the future.**

With the exception of our Encryption Products, all of the Company’s products have not been incorporated into commercially marketable products, have not generated any revenue from commercial productions (other than license fees) and may never be commercialized. Even if commercialized, the Company’s products may not be commercially successful because consumers may not accept the Company’s products or third parties may develop superior technology or have proprietary rights that preclude the Company from marketing its products.

- **The very competitive markets for our encryption products and flat panel display technology could have a harmful effect on our business and operating results.**

The markets for our encryption products and flat panel display technology worldwide are highly competitive and subject to rapid technological changes. Most of our competitors are larger than us and possess financial, research, service support, marketing, manufacturing and other resources significantly greater than ours. Competitive pressures may have a harmful effect on our business and operating results.

- **Our common stock is subject to the SEC’s penny stock rules which may make our shares more difficult to sell.**

Our common stock fits the definition of a penny stock and therefore is subject to the rules adopted by the SEC regulating broker-dealer practices in connection with transactions in penny stocks. These SEC rules may have the effect of reducing trading activity in our common stock making it more difficult for investors to sell their shares. The SEC rules require a broker or dealer proposing to effect a transaction in a penny stock to deliver the customer a risk disclosure document that provides certain information prescribed by the SEC, including, but not limited to, the nature and level of risks in the penny stock market. The broker or dealer must also disclose the aggregate amount of any compensation received or receivable by him in connection with such transaction prior to consummating the transaction. In addition, the SEC rules also require a broker or dealer to make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written agreement to the transaction before completion of the transaction. The existence of these SEC rules may result in a lower trading volume of our common stock and lower trading prices.

- **We have not paid, nor do we anticipate paying, any cash dividends in the future.**

We have never paid cash dividends and do not anticipate paying any cash dividends in the foreseeable future. Payment of dividends on our common stock is within the discretion of our Board of Directors and will depend upon our future earnings, capital requirements, financial condition and other relevant factors. We have no plan to declare any cash dividends in the foreseeable future. It is anticipated that earnings, if any, which may be generated from future operations will be used to finance our continued operations.

## **PART II**

### **Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

#### **Forward-Looking Statements**

*Information included in this Annual Report on Form 10-K may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical facts, but rather reflect our current expectations concerning future events and results. We generally use the words “believes,” “expects,” “intends,” “plans,” “anticipates,” “likely,” “will” and similar expressions to identify forward-looking statements. Such forward-looking statements, including those concerning our expectations, involve risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks, uncertainties and factors include, but are not limited to, those factors set forth in this Annual Report on Form 10-K under “Item 1A. – Risk Factors” above. Except as required by applicable law, including the securities laws of the United States, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this Annual Report on Form 10-K.*

## General

Our principal operations include the development, production and marketing of thin, flat, low-voltage phosphor display technology, the development of thin, flat, low-power passive display technology and the development, production and marketing of multi-functional encryption products that provide information security for domestic and international users over virtually every communications media.

We have developed an innovative new type of flat panel display technology, which is brighter, has higher contrast and consumes less power than our prior display technology. This new proprietary display is a color phosphor based display having a unique lower voltage electron emission system to excite the color phosphors. As with our prior display technology, the new technology emits light to display color images, such as movies from DVD players. In addition, we are also developing another version of our new type low voltage and low power display having a different matrix configuration and phosphor excitation system. These new type of displays are expected to be lower in cost than our prior displays.

In November 2007, we entered into a Technology License Agreement (as amended in May 2008, the "License Agreement") with Videocon Industries Limited, an Indian company ("Videocon"). Under the License Agreement, we provide Videocon with a non-transferable, worldwide license of our technology for thin, flat, low voltage phosphor displays (the "Licensed Technology"), for Videocon (or a Videocon Group company) to produce and market products, including TVs, incorporating displays utilizing the Licensed Technology. Under the terms of the License Agreement, we were scheduled to receive a license fee of \$11 million from Videocon, payable in installments over a 27 month period, which commenced in May 2008 and continues until August 2010, and an agreed upon royalty from Videocon based on display sales by Videocon, which royalty will decrease after a specified sales levels and time period are reached and may increase under other certain circumstances as a result of significant improvements in the Licensed Technology, as defined in the License Agreement. In April 2008, the Indian Government approved the License Agreement.

In May 2008, we received the first installment of the license fee of \$2,000,000. In March 2009, we agreed to defer the license fee payments due from Videocon that had been scheduled to be paid in the second quarter of fiscal year 2009 and we separately agreed to reimburse Videocon \$250,000 for engineering services related to improved versions of our display technology, which amount was offset against amounts due from Videocon in lieu of a cash payment. In addition, in June 2009, we received a license fee payment from Videocon of \$250,000, which was due during the quarter ended April 30, 2009 pursuant to the modified payment terms. In August 2009, we received an additional license fee payment from Videocon of \$100,000, which was due during the quarter ended July 31, 2009 pursuant to the modified payment terms. As of October 31, 2009, we have received aggregate license fee payments of \$2,600,000. In January 2010, we agreed to defer the license fee payments due from Videocon that had been scheduled to be paid in the first quarter of fiscal year 2010. In March 2010, we received an additional license fee payment from Videocon of \$300,000, which was due during the quarter ended January 31, 2010 pursuant to the modified payment terms. While not contemplated or required by the terms of the License Agreement, after discussions with Videocon, we agreed to the payment deferrals in light of our joint decision to jointly develop improved versions of our display technology and the additional time and effort required by Videocon and us to incorporate the developmental improvements related thereto which are aimed at reducing the power consumption, improving the reliability and lowering the fabrication cost. However, the total amount of the payments did not change and Videocon's obligation to make such payments continues to be subject only to CopyTele's limited performance requirements described below and is not dependent on any specific performance standards which must be met by completion or delivery of prototypes of CopyTele's products in the development stage. Videocon's obligations with respect to the pre-production phase, and CopyTele's assistance, under the License Agreement remain unaffected. As of April 30, 2010, we have received aggregate license fee payments from Videocon of \$2.9 million. We presently anticipate that ongoing improvements to our display technology will likely result in future modifications of the timing of payments from Videocon that would materially affect in which future periods revenues from Videocon are recognized and which would delay the payment of the license fee beyond the 27 month period ending in August 2010. While Videocon's obligation with respect to the balance of the license fee remains in effect, we cannot presently estimate specific future payments dates for the remaining \$8.1 million of license fee payments; however, we are in discussion with Videocon for an additional payment.

Videocon is the flagship company of the Videocon Group, one of India's leading business houses. Videocon Group is a fully integrated consumer electronics and home appliances enterprise with backward integration in plasma panel, CRT glass, color picture tubes and other key components for the consumer electronics, home appliances and components industries. Videocon Group also operates in the oil & gas sector. The Videocon Group has sales and service networks throughout India and operates facilities in Europe and elsewhere in the world.

We are working with Videocon to implement our technology into production display modules. Under the License Agreement, Videocon, with our assistance, is to provide the design and process engineering required to produce such display modules and also provide all tooling and fixtures required for the production process. The display modules consist of our low voltage phosphor displays, the attached associated driver circuits, and controller circuits. Under the terms of the License Agreement, we are disclosing to Videocon the Licensed Technology, including any improvements, providing documentation and training of Videocon personnel, and cooperating with Videocon to jointly implement our technology prior to production to produce prototypes of such modules. In connection with our performance requirements under the License Agreement, we are providing technical information to Videocon, so they can understand the design and fabrication processes involved in our display technology. This includes providing the design and fabrication processes of the display components, such as the matrix which contains the structure to accommodate our electron emission technology and the color phosphors that are used to illuminate our displays. Other components and fabrication processes include the design details of the electron emission system materials and specifications, the methods, materials and processes required to obtain a vacuum for our display operation and the methods and electronics involved to operate, test, and evaluate the performance of the display. We and Videocon are improving the design and processes to optimize the displays performance and implement these improvements into display modules. We are also using the assistance of Volga Svet Ltd., a Russian corporation ("Volga") and an Asian company to implement these improvements. Improvements to the technology are to be jointly owned by CopyTele and Videocon.

Under the License Agreement we continue to have the right to produce and market products utilizing the Licensed Technology. We also continue to have the right to utilize Volga, with whom we have been working with for more than twelve years, and the Asian company, with whom we have been working with for more than six years, to produce and market, products utilizing the Licensed Technology. Additional licenses of the Licensed Technology to third parties require the joint agreement of CopyTele and Videocon.

In connection with the License Agreement, Videocon and CopyTele each have the right to appoint one senior advisor to the other's board of directors for the term of the license granted under the License Agreement. Such appointments are limited to advise with respect to strategic planning and technology in the display field and does not grant such senior advisor any rights with respect to involvement in the overall management or operations of the Company. While Videocon and CopyTele have made such appointments and the senior advisors from each of the companies are in communications with each other with respect to strategic planning and technology in the display field, the senior advisors have not had any interactions with the other's board of directors and do not and have not attended any board of director meetings. Such senior advisors do not presently intend to have any interactions with the other's board of directors in the future.

At the same time as we entered into the License Agreement, we also entered into a Share Subscription Agreement (the "Share Subscription Agreement") with Mars Overseas Limited, an affiliate of Videocon ("Mars Overseas"). Under the Share Subscription Agreement, Mars Overseas purchased 20,000,000 unregistered shares of our common stock (the "CopyTele Shares") from us for an aggregate purchase price of \$16,200,000, which was valued based on the actively traded market price of our common stock. The purchase of the CopyTele Shares pursuant to the Subscription Agreement closed in November 2007. Also in November 2007, our wholly-owned British Virgin Islands subsidiary, CopyTele International Ltd. ("CopyTele International"), entered into a GDR Purchase Agreement, as amended (the "Purchase Agreement") with Global EPC Ventures Limited ("Global"), for CopyTele International to purchase from Global 1,495,845 global depository receipts of Videocon (the "Videocon GDRs"), acquired by Global on the Luxembourg Stock Exchange for an aggregate purchase price of \$16,200,000. The price of the Videocon global depository receipts on the Luxembourg Stock Exchange is based on the underlying price of Videocon's equity shares which are traded on stock exchanges in India with prices quoted in rupees. The purchase of the Videocon GDRs pursuant to the Purchase Agreement closed in December 2007. For the purpose of effecting a lock up of the Videocon GDRs and CopyTele Shares (collectively, the "Securities") for a period of seven years, and therefore restricting both parties from selling or transferring the Securities during such period, CopyTele International and Mars Overseas entered into two Loan and Pledge Agreements in November 2007. The Videocon GDRs are to be held as security for a loan in the principal amount of \$5,000,000 from Mars Overseas to CopyTele International, and the CopyTele Shares are similarly held as security for a loan in the principal amount of \$5,000,000 from CopyTele International to Mars Overseas. The loans are for a term of seven years and do not bear interest. See Note 1 to the Consolidated Financial Statements.

The loan receivable from Mars Overseas is classified as a contra-equity under Shareholders' Equity in the accompanying consolidated balance sheet, because the loan receivable is secured by the CopyTele Shares and the Share Subscription Agreement and Loan and Pledge Agreement were entered into concurrently. See Note 1 to the Consolidated Financial Statements. Our sale of the CopyTele Shares to Mars Overseas and our purchase of the Videocon GDRs had the combined effect, as of the date of closing, of increasing (a) our net assets by \$11 million, as our \$16 million investment in Videocon GDRs (at market value at the time of the investment was made) was offset by our \$5 million loan payable to related party (Mars Overseas) and (b) our shareholders' equity by approximately \$11 million, as the \$16 million of proceeds received from the sale of our common stock to Mars Overseas was offset by the \$5 million receivable from a related party (Mars Overseas). We carry our investment in the Videocon GDRs, at fair value, based on the price on the Luxembourg Stock Exchange, which price is based on the underlying price of Videocon's equity shares which are traded on stock exchanges in India with prices quoted in rupees. Based upon the duration and the continuing magnitude of the market price decline in Videocon's equity shares, we recorded a write-down of this investment of approximately \$9,095,000 which reduced the carrying value of the Videocon GDRs to \$7,105,000 as of October 31, 2009. We can give no assurance that we will not record an additional impairment charge or what value, if any that we will realize from the sale of the Videocon GDRs should we choose to sell the Videocon GDR when the seven year lock-up expires. However, as we used the proceeds received from the sale of our shares to Mars Overseas to acquire the Videocon GDR, such transaction did not have an effect on our liquidity or cash resources. In addition, the primary purpose of the transaction was to establish cross-equity ownership with the entities with whom we do business, which our management believes is an effective tool to foster collaboration and to allow our Company to benefit economically should the entities with whom we do business be successful in commercializing our products.

Our display technology includes a proprietary mixture of specially coated carbon nanotubes and nano materials in combination with our proprietary low voltage color phosphors. The specially coated carbon nanotubes, which are supplied to us by a U.S. company, and nano materials, require a low voltage for electron emission and are extremely small – approximately 10,000 times thinner than the width of a human hair. The 5.5 inch (diagonal) display we developed has 960 x 234 pixels and utilizes a new memory-based active matrix thin film technology with each pixel phosphor activated by electrons emitted by a proprietary carbon nanotube network located extremely close from the pixels. The matrix also has a high pixel field factor to obtain high contrast and low power consumption. As a result, each pixel phosphor brightness is controlled using less than 40 volts. The carbon nanotubes and proprietary color phosphors are precisely placed and separated utilizing our proprietary nanotube and phosphor deposition technology. We have developed a process of maintaining uniform carbon nanotube deposition independent of phosphor deposition. We have also developed a method of enhancing nanotube electron emission to increase the brightness of this type of display.

We believe our displays could potentially have a cost similar to a CRT and thus cost less than current LCD or PDP displays partly because our display does not contain a backlight, or color filter or polarizer, which represents a substantial portion of the cost of an LCD.



In August 2009, we entered into a development agreement with a U.S. company to provide engineering and implementation support for the development of our patented extremely low power passive monochrome or color display for use in portable devices. This company has experience in the field involving portions of our display technology. Our proprietary extremely low power display that we are developing, in conjunction with the U.S. company, incorporates a new micro-matrix substrate. The display is designed to have bi-stability capability, and uses low power when an image is being created. Once an image is created, power consumption is negligible. The display is expected to have both monochrome and or color capability, and operate over wide temperature and environmental conditions. The display utilizes a single substrate so that it can be extremely thin, rugged and low weight. This display can be made any size, is expected to be low cost, and is especially suitable for portable devices, such as, cell phones, I-phones, and e-books, and other potential portable devices. We have jointly formulated display designs and have completed simulation analyses to optimize the display configuration.

With the arrival of the rapidly expanding digital book and news media applications, in August 2009, we entered into an Engagement Agreement with ZQX Advisors, LLC (“ZQX”) to assist us in seeking business opportunities and licenses for our electrophoretic display technology (E-Paper®). ZQX has an experienced business and legal team to assist us in this area. Concurrently with entering into the Engagement Agreement, we acquired a 19.5% ownership interest in ZQX in exchange for 800,000 unregistered shares of our common stock and warrants to purchase an additional 500,000 unregistered shares of our common stock, of which warrants to purchase 250,000 shares are exercisable at \$0.37 per share and warrants to purchase 250,000 shares are exercisable at \$0.555 per share. The warrants expire in August 2019. We are continuing to work with ZQX and are jointly evaluating our E-Paper® patent position and establishing a plan to seek value for our E-Paper® technologies.

In September 2009, we entered into a Technology License Agreement with Volga to produce and market our thin, flat, low voltage phosphor displays in Russia. We have been working with Volga for the past 12 years to assist us with our low voltage phosphor displays. As part of our Technology License Agreement with Volga, we anticipate receiving revenues from Volga, as it is required to purchase the matrix substrate, carbon nanotubes, and associated display electronics from us.

In addition, in September 2009, we entered into a separate agreement with Volga whereby we have obtained a 19.9% ownership interest in Volga in exchange for 150,000 unregistered shares of our common stock.

We continue to pursue opportunities to market our voice, fax and data encryption solutions in commercial and government markets. Our full array of hardware and software products provide security over landline and wireless telephone systems and networks.

Our operations and the achievement of our objectives in marketing, production, and research and development are dependent upon an adequate cash flow. Accordingly, in monitoring our financial position and results of operations, particular attention is given to cash and accounts receivable balances and cash flows from operations. Since our initial public offering, our cash flows have been primarily generated through the sales of common stock in private placements and upon exercise of stock options. Since 1999 we have also generated cash flows from sales of our encryption products and services. We are continuing to direct our encryption marketing efforts to opportunities in both the commercial and government security markets and have recently uncovered new opportunities to market products to Middle Eastern and Far Eastern governments to secure voice and fax communications. In addition, in fiscal year 2008, we entered into the License Agreement with Videocon and in May 2008, we began receiving from Videocon license fees related to our display technology.

In reviewing Management's Discussion and Analysis of Financial Condition and Results of Operations, you should refer to our Consolidated Financial Statements and the notes related thereto.

### **Critical Accounting Policies**

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. As such, we are required to make certain estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods.

We believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

#### **Revenue Recognition**

Revenues from sales are recorded when all four of the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred and title has transferred or services have been rendered; (iii) our price to the buyer is fixed or determinable; and (iv) collectibility is reasonably assured.

We have assessed the revenue guidance of Accounting Standards Codification ("ASC") 605-25 "Multiple-Element Arrangements" ("ASC 605-25") to determine whether multiple deliverables in our arrangement with Videocon represent separate units of accounting. Under the License Agreement, CopyTele is required to: (a) disclose to Videocon the Licensed Technology and provide reasonable training by Videocon personnel; (b) jointly cooperate with Videocon to produce prototypes prior to production; and (c) assist Videocon in preparing for production. CopyTele has determined that these performance obligations do not have value to Videocon on a standalone basis, as defined in ASC 605-25, and accordingly they do not represent separate units of accounting.

We have established objective and reasonable evidence of fair value for the royalty to be earned during the production period based on analysis of the pricing for similar agreements. Accordingly, we have determined that the license fee of \$11 million to be paid during the pre-production period and royalties on product sales reflects the established fair value for these deliverables. We expect to recognize the \$11 million license fee over the estimated period that we expect to provide cooperation and assistance during the pre-production period, limiting the revenue recognized on a cumulative basis to the aggregate license fee payments received from Videocon. We will assess at each reporting period the progress and assistance provided and will continue to evaluate the period during which this fee will be recognized. On this basis, we have recognized license fee revenue during the fiscal years ended October 31, 2009 and 2008 of approximately \$913,000 and \$1,687,000, respectively. License fee payments received from Videocon which are in excess of the amounts recognized as revenue (\$0- as of October 31, 2009, and approximately \$313,000 as of October 31, 2008) are recorded as deferred revenue on the accompanying consolidated balance sheet.

### **Investment Securities**

We classify our investment securities in one of two categories: available-for-sale or held-to-maturity. Available-for-sale securities are recorded at fair value. Unrealized gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a component of accumulated other comprehensive income (loss) until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis. Held-to-maturity securities, which are investment securities that we have the intent and ability to hold to maturity, are carried at amortized cost. The amortization of premiums and accretion of discounts are recorded on the level yield (interest) method, over the period from the date of purchase to maturity. When sales do occur, gains and losses are recognized at the time of sale and the determination of cost of securities sold is based upon the specific identification method. Dividend and interest income are recognized when earned.

We monitor the value of our investments for indicators of impairment, including changes in market conditions and the operating results of the underlying investment that may result in the inability to recover the carrying value of the investment. During the fourth quarter of fiscal year 2009, we determined that there was an other than temporary impairment in both our Videocon and DISC investments. See Note 4 to the Consolidated Financial Statements for further discussion. We will record an additional impairment charge if and when we believe any such investment has experienced an additional decline that is other than temporary.

### **Accounts Receivable**

Accounts receivable are stated at amounts due from customers, net of an allowance for doubtful accounts. Management reviews our accounts receivable for potential doubtful accounts and maintains an allowance for estimated uncollectible amounts. Accounts receivable are written off when we determine that they become uncollectible.

### **Inventories**

Inventories are stated at the lower of cost, including material, labor and overhead, determined on a first-in, first-out basis, or market, which represents our best estimate of market value. We regularly review inventory quantities on hand, particularly finished goods, and record a provision for excess and obsolete inventory based primarily on forecasts of future product demand. To date, sales of our products have been limited. Accordingly, we can give no assurance that we will not be required to reduce the selling price of our inventory below our current carrying value.

## **Stock-Based Compensation**

We account for stock options granted to employees and directors using the accounting guidance included in ASC 718 “Stock Compensation” (“ASC 718”). We recognize compensation expense for stock option awards on a straight-line basis over the requisite service period of the grant. We recorded stock-based compensation expense, related to stock options granted to employees and non-employee directors, of approximately \$2,418,000, \$2,614,000 and \$1,081,000 during fiscal years ended October 31, 2009, 2008 and 2007, respectively, in accordance with ASC 718. We account for stock options granted to consultants using the accounting guidance under ASC 505-50 “Equity-Based Payments to Non-Employees”. See Note 2 to the Consolidated Financial Statements for additional information.

Determining the appropriate fair value model and calculating the fair value of stock-based awards requires judgment, including estimating stock price volatility, forfeiture rates and expected life. If factors change and we employ different assumptions in the application of ASC 718 in future periods, the compensation expense that we record under ASC 718 may differ significantly from what we have recorded in the current period.

## **Results of Operations**

### **Fiscal Year Ended October 31, 2009 Compared to Fiscal Year Ended October 31, 2008**

#### ***Net Revenue***

Net revenue decreased by approximately \$1,007,000 in fiscal year 2009, to approximately \$1,056,000, as compared to approximately \$2,063,000 in fiscal year 2008. Revenue from display technology license fees related to the License Agreement with Videocon decreased by approximately \$773,000 in fiscal year 2009, to approximately \$913,000 based on our modification to the Videocon contract payment terms, as compared to approximately \$1,687,000 in fiscal year 2008. Revenue in fiscal year 2009 included revenue from display technology engineering services of \$52,000, as compared to none in fiscal year 2008. The revenue from display technology engineering services resulted from engineering services billed to Volga. Revenue from sales of encryption products decreased by approximately \$286,000 in fiscal year 2009, to approximately \$90,000, as compared to approximately \$376,000 in fiscal year 2008. The decrease in sales from encryption products was due to a decrease in unit shipments. Our encryption revenue has been limited and is sensitive to individual large transactions.

#### ***Cost of Encryption Products Sold***

The cost of encryption products sold decreased by approximately \$49,000 in fiscal year 2009, to approximately \$47,000, as compared to approximately \$96,000 in fiscal year 2008. The cost of encryption products sold in fiscal year 2009 includes a provision for excess inventory of approximately \$20,000. The cost of encryption products shipped in fiscal year 2009 decreased to approximately \$27,000, as compared to approximately \$96,000 in fiscal year 2008, due to a decrease in unit shipments of encryption products.

### ***Cost of Display Engineering Services***

The cost of display engineering services increased to approximately \$18,000 in fiscal year 2009, as compared to none in the comparable prior year period, as there was no revenue from display engineering services in the prior year period.

### ***Research and Development Expenses***

Research and development expenses decreased by approximately \$11,000 in fiscal year 2009, to approximately \$4,116,000, from approximately \$4,127,000 in fiscal year 2008. The decrease in research and development expenses was principally due to a decrease in employee stock option compensation expense of approximately \$261,000, which primarily resulted from a decrease in the weighed average fair value at grant dates, a decrease in patent-related expenses of approximately \$86,000, a decrease in consultant stock option expense of approximately \$45,000, offset by an increase in outside research and development expense of approximately \$266,000, which primarily resulted from engineering services performed by Videocon related to improved versions of our display technology, and an increase in employee compensation and related costs, other than stock option expense, of approximately \$108,000.

### ***Selling, General and Administrative Expenses***

Selling, general and administrative expenses increased by approximately \$364,000 to approximately \$4,194,000 in fiscal year 2009, from approximately \$3,830,000 in fiscal year 2008. The increase in selling, general and administrative expenses was principally due to an increase in consulting services of approximately \$321,000, the increase in consulting fees was primarily related to ZQX, an increase in legal and accounting fees of approximately \$99,000, an increase in employee stock option compensation expense of approximately \$65,000, an increase in employee compensation and related costs, other than stock option expense, of approximately \$142,000, and a loss on the sale of DISC stock of approximately \$34,000, offset by a decrease in consultant stock option expense of approximately \$159,000, a decrease in the provision for doubtful accounts of \$120,000, from \$223,000 in fiscal year 2008 to \$103,000 in fiscal year 2009, and a decrease in travel expense of approximately \$43,000.

### ***Dividend Income***

Dividend income, which was received in connection with the Videocon GDRs we acquired in December 2007, decreased by approximately \$102,000 to approximately \$29,000 in fiscal year 2009, compared to approximately \$131,000 in fiscal year 2008. The decrease in dividend income was due to a reduction by Videocon of dividends paid.

### ***Interest Income***

Interest income was approximately \$21,000 in fiscal year 2009, compared to approximately \$37,000 in fiscal year 2008. The decrease in interest income was primarily the result of a reduction in short term interest rates.

### **Fiscal Year Ended October 31, 2008 Compared to Fiscal Year Ended October 31, 2007**

#### ***Net Revenue***

Net revenue increased by approximately \$1,576,000 in fiscal year 2008, to approximately \$2,063,000, as compared to approximately \$487,000 in fiscal year 2007. Revenue recognized during fiscal year 2008 included display technology license fees related to the License Agreement with Videocon of approximately \$1,687,000 compared to none in fiscal year 2007. Revenue from sales of encryption products increased by approximately \$129,000 in fiscal year 2008, to approximately \$376,000, as compared to approximately \$247,000 in fiscal year 2007. The increase in revenue from encryption products sold was primarily due to an increase in unit shipments. Revenue from encryption services decreased from \$240,000 in fiscal year 2007 to none in fiscal year 2008. The revenue from encryption services in the prior year period resulted from engineering services billed to DISC. Our encryption revenue has been limited and is sensitive to individual large transactions.

#### ***Cost of Encryption Products Sold***

The cost of encryption products sold increased by approximately \$22,000 in fiscal year 2008, to approximately \$96,000, as compared to approximately \$74,000 in fiscal year 2007. The increase in cost of encryption products sold was primarily due to an increase in unit shipments of encryption products as well as a reduction of cost of products sold in fiscal year 2008 of approximately \$19,000 resulting from the sale during fiscal year 2008 of inventory for which a provision for excess inventory of that amount was recorded in prior periods.

#### ***Cost of Encryption Services***

The cost of encryption services decreased from \$86,000 in fiscal year 2007 to none in fiscal year 2008 as there was no revenue from encryption services.

#### ***Research and Development Expenses***

Research and development expenses increased by approximately \$723,000 in fiscal year 2008, to approximately \$4,127,000, from approximately \$3,404,000 in fiscal year 2007. The increase in research and development expenses was principally due to an increase in employee stock option compensation expense of approximately \$878,000, offset by a decrease in outside research and development expense of approximately \$55,000, a decrease in patent-related expenses of approximately \$41,000, a decrease in employee compensation and related costs, other than stock option expense, of approximately \$34,000, and a decrease in outside engineering services of approximately \$32,000.

### ***Selling, General and Administrative Expenses***

Selling, general and administrative expenses increased by approximately \$1,415,000 to approximately \$3,830,000 in fiscal year 2008, from approximately \$2,415,000 in fiscal year 2007. The increase in selling, general and administrative expenses was principally due to an increase in employee stock option compensation expense of approximately \$655,000, an increase in consultant stock option compensation expense of approximately \$172,000, an increase in the provision for doubtful accounts of \$223,000 of which \$120,000 related to an accounts receivable from DISC, an increase in employee compensation and related costs, other than stock option expense, of approximately \$90,000, an increase in legal and accounting fees of approximately \$86,000, an increase in shareholder relations expense of approximately \$72,000, an increase in travel expense of approximately \$49,000, and an increase in consulting expense, other than consultant stock option compensation expense, of approximately \$41,000.

### ***Dividend Income***

Dividend income, which was received in connection with the Videocon GDRs we acquired in December 2007, was approximately \$131,000 in fiscal year 2008. We received no dividend income in fiscal year 2007.

### ***Interest Income***

Interest income was approximately \$37,000 in fiscal year 2008, compared to approximately \$34,000 in fiscal year 2007. The interest income earned on the additional funds available for investment on the current period was offset by a reduction in prevailing interest rates.

### **Liquidity and Capital Resources**

Since our inception, we have met our liquidity and capital expenditure needs primarily through the proceeds from sales of common stock in our initial public offering, in private placements, upon exercise of warrants issued in connection with the private placements and our initial public offering, and upon the exercise of stock options. In addition, commencing in the fourth quarter of fiscal year 1999, we have generated limited cash flows from sales of our encryption products and in May 2008 began receiving license fees related to our display technology from Videocon pursuant to the License Agreement.

During fiscal year 2009, our cash used in operating activities was approximately \$2,502,000. This resulted from payments to suppliers, employees and consultants of approximately \$3,047,000, which was offset by cash of approximately \$142,000 received from collections of accounts receivable related to sales of products and services, cash received from display technology licensing fees of \$350,000, approximately \$29,000 of dividend income received and approximately \$25,000 of interest income received. Our cash provided by investing activities during fiscal year 2009 was approximately \$1,502,000, which resulted from purchases of short-term investments consisting of certificates of deposit and U.S. government securities of approximately \$2,899,000 and purchases of approximately \$2,000 of equipment, offset by approximately \$4,343,000 received upon maturities of short-term investments consisting of certificates of deposit and U.S. government securities and approximately \$60,000 received upon the sale of DISC common stock. Our cash provided by financing activities during fiscal year 2009 was approximately \$1,972,000, which resulted from cash received upon the exercise of stock options. As a result, our cash, cash equivalents, and investments in certificates of deposit and U.S. government securities at October 31, 2009 decreased to approximately \$2,201,000 from approximately \$2,671,000 at the end of fiscal year 2008.

Net accounts receivable decreased by \$102,000, from \$103,000 at the end of fiscal year 2008 to \$750 at October 31, 2009. The decrease is primarily the result of a provision for doubtful accounts in fiscal year 2009 of \$103,000 and a decrease in sales of encryption products. Inventories decreased by approximately \$45,000 from approximately \$178,000 at October 31, 2008 to approximately \$133,000 at October 31, 2009. The decrease in inventory was primarily a result of a provision for excess inventory of approximately \$20,000 recorded in fiscal year 2009 and the timing of shipments and production schedules. Investment in U.S. government securities, noncurrent, decreased from approximately \$750,000 at October 31, 2008 to zero at October 31, 2009, as a result of the maturity of this investment. Investment in Videocon is recorded at fair value and increased to approximately \$7,105,000 at October 31, 2009 from approximately \$3,620,000 at the end of fiscal year 2008, as a result of an increase in the underlying price of Videocon's equity shares which are traded on the stock exchanges in India. Investment in DISC is recorded at fair value and decreased by \$644,000 as a result of a reduction in the price of DISC common shares, which are traded on the over the counter market (and quoted on the Pink Sheets), and our sale of 2,770,000 shares of the 12,200,000 shares of DISC common stock we held at October 31, 2008. Investment in Volga increased to approximately \$128,000 at October 31, 2009 from zero at October 31, 2008, as a result of the investment in Volga during fiscal year 2009. Accounts payable and accrued liabilities decreased by approximately \$58,000 from approximately \$454,000 at the end of fiscal year 2008 to approximately \$396,000 at October 31, 2009, as a result the timing of payments. Deferred revenue decreased to zero at October 31, 2009 from approximately \$313,000 at October 31, 2008, as a result of such amount being recognized as a technology license fee during fiscal year 2009. Loan payable, which is due in December 2014, remained at \$5,000,000 at October 31, 2009 and 2008. Loan receivable, which is classified as a contra-equity in the accompanying consolidated balance sheet and is due in December 2014, remained at \$5,000,000 at October 31, 2009 and 2008. As a result of these changes, working capital at October 31, 2009 increased to approximately \$2,000,000 from approximately \$1,489,000 at October 31, 2008.

Our working capital includes inventory of approximately \$133,000 and \$178,000 at October 31, 2009 and 2008, respectively. Management has recorded our inventory at the lower of cost or our current best estimate of net realizable value. To date, sales of our products have been limited. Accordingly, we can give no assurances that we will not be required to reduce the selling price of our inventory below our current carrying value.



In May 2008, we received the first installment of the license fee of \$2,000,000. In March 2009, we agreed to defer the license fee payments due from Videocon that had been scheduled to be paid in the second quarter of fiscal year 2009 and we separately agreed to reimburse Videocon \$250,000 for engineering services related to improved versions of our display technology, which amount was offset against amounts due from Videocon in lieu of a cash payment. In addition, in June 2009, we received a license fee payment from Videocon of \$250,000, which was due during the quarter ended April 30, 2009 pursuant to the modified payment terms. In August 2009, we received an additional license fee payment from Videocon of \$100,000, which was due during the quarter ended July 31, 2009 pursuant to the modified payment terms. As of October 31, 2009, we have received aggregate license fee payments of \$2,600,000. In January 2010, we agreed to defer the license fee payments due from Videocon that had been scheduled to be paid in the first quarter of fiscal year 2010. In March 2010, we received an additional license fee payment from Videocon of \$300,000, which was due during the quarter ended January 31, 2010 pursuant to the modified payment terms. While not contemplated or required by the terms of the License Agreement, after discussions with Videocon, we agreed to the payment deferrals in light of our joint decision to jointly develop improved versions of our display technology and the additional time and effort required by Videocon and us to incorporate the developmental improvements related thereto which are aimed at reducing the power consumption, improving the reliability and lowering the fabrication cost. However, the total amount of the payments did not change and Videocon's obligation to make such payments continues to be subject only to CopyTele's limited performance requirements described below and is not dependent on any specific performance standards which must be met by completion or delivery of prototypes of CopyTele's products in the development stage. Videocon's obligations with respect to the pre-production phase, and CopyTele's assistance, under the License Agreement remain unaffected. As of April 30, 2010, we have received aggregate license fee payments from Videocon of \$2.9 million. We presently anticipate that ongoing improvements to our display technology will likely result in future modifications of the timing of payments from Videocon that would materially affect in which future periods revenues from Videocon are recognized and which would delay the payment of the license fee beyond the 27 month period ending in August 2010. While Videocon's obligation with respect to the balance of the license fee remains in effect, we cannot presently estimate specific future payments dates for the remaining \$8.1 million of license fee payments; however, we are in discussion with Videocon for an additional payment.

We are working with Videocon to implement our technology into production display modules. Under the License Agreement, Videocon, with our assistance, is to provide the design and process engineering required to produce such display modules and also provide all tooling and fixtures required for the production process. The display modules consist of our low voltage phosphor displays, the attached associated driver circuits, and controller circuits. Under the terms of the License Agreement, we are disclosing to Videocon the Licensed Technology, including any improvements, providing documentation and training of Videocon personnel, and cooperating with Videocon to jointly implement our technology prior to production to produce prototypes of such modules. In connection with our performance requirements under the License Agreement, we are providing technical information to Videocon, so they can understand the design and fabrication processes involved in our display technology. This includes providing the design and fabrication processes of the display components, such as the matrix which contains the structure to accommodate our electron emission technology and the color phosphors that are used to illuminate our displays. Other components and fabrication processes include the design details of the electron emission system materials and specifications, the methods, materials and processes required to obtain a vacuum for our display operation and the methods and electronics involved to operate, test, and evaluate the performance of the display. We and Videocon are improving the design and processes to optimize the displays performance and implement these improvements into display modules. We are also using the assistance of Volga and the Asian company to implement these improvements. Improvements to the technology are to be jointly owned by CopyTele and Videocon.

Total employee compensation expense during fiscal years 2009, 2008 and 2007 was approximately \$5,219,000, \$5,164,000 and \$3,661,000, respectively. During fiscal years 2009, 2008 and 2007, a significant portion of employee compensation consisted of the issuance of stock and stock options to employees in lieu of cash compensation. We recorded compensation expense for fiscal years ended October 31, 2009, 2008 and 2007 of approximately \$2,099,000, \$1,877,000 and \$1,735,000, respectively, for shares of common stock issued to employees. We recorded approximately \$2,418,000, \$2,614,000 and \$1,081,000 of stock-based compensation expense, related to stock options granted to employees and directors, during fiscal years ended October 31, 2009, 2008 and 2007, respectively. It is management's intention to continue to compensate employees by issuing stock or stock options.

In addition, during fiscal years 2009, 2008 and 2007, we issued shares of common stock to consultants for services rendered. We recorded consulting expense for fiscal years ended October 31, 2009, 2008 and 2007 of approximately \$48,000, \$95,000 and \$182,000, respectively, for shares of common stock issued to consultants. In addition, during fiscal years 2009, 2008 and 2007, we recorded approximately \$13,000, \$217,000 and \$-0-, respectively, of consulting expense for stock options granted to consultants. It is management's intention to also continue to compensate consultants by issuing stock or stock options to the extent that our consultants do not require cash payments.

During fiscal year 2009, in exchange for a 19.5% ownership interest in ZQX we issued 800,000 unregistered shares of common stock together with warrants to purchase an additional 500,000 unregistered shares of common stock to ZQX, of which (a) warrants to purchase 250,000 shares of common stock are exercisable at \$0.37 per share, and (b) warrants to purchase the remaining 250,000 shares are exercisable at \$0.555 per share. The warrants are exercisable at any time after August 19, 2010 and expire on August 19, 2019. In addition, we issued 150,000 unregistered shares of common stock during fiscal year 2009 to Volga in exchange for a 19.9% ownership interest in Volga. During fiscal year 2008, we issued 20,000,000 unregistered shares of our common stock to Mars Overseas an affiliate of Videocon for an aggregate purchase price of \$16,200,000 and we purchased 1,495,845 Videocon GDRs for an aggregate purchase price of \$16,200,000. In April 2009, we received a dividend of approximately \$29,000 on the Videocon GDRs we hold. While the Videocon GDRs are held as security for the loan payable to Mars Overseas, the agreement governing such loan provides that any dividends, distributions, rights or other proceeds or benefits with respect to the Videocon GDRs shall be promptly transferred to us free and clear of any encumbrances under the agreements. See "General" above in the Item 7 for additional information on the transactions in which we acquired the Videocon GDRs.

We believe that our existing cash, cash equivalents, and investments in U.S. government securities, together with cash flows from expected sales of our encryption products and revenue relating to our thin, flat, low-voltage phosphor display technology, and other potential sources of cash flows, but without regard to the timing or amount of license fees and royalties from Videocon, will be sufficient to enable us to continue our marketing, production, and research and development activities for at least 12 months. We have not currently identified any specific use for the license fee or royalty payments, if any, that we may receive from Videocon and any such payments will be available for general corporate purposes or such other uses as our management may determine. Pending their use, any payments received from Videocon will be invested in short-term, interest-bearing securities. However, our projections of future cash needs and cash flows may differ from actual results. If current cash and cash that may be generated from operations are insufficient to satisfy our liquidity requirements, we may seek to sell debt or equity securities or to obtain a line of credit. The sale of additional equity securities or convertible debt could result in dilution to our stockholders. It is also management's intention to continue to compensate employees and consultants by issuing stock or stock options. We currently have no arrangements with respect to additional financing. We can give no assurances that we will generate sufficient revenues in the future (through sales, license fees and royalties, or otherwise) to satisfy our liquidity requirements or sustain future operations, that our production capabilities will be adequate, that other products will not be produced by other companies that will render our products obsolete, or that other sources of funding, such as sales of equity or debt, would be available, if needed, on favorable terms or at all. If we cannot obtain such funding if needed, we would need to curtail or cease some or all of our operations.

We are seeking to improve our liquidity through increased sales or license of products and technology. In an effort to generate sales, we have marketed our encryption products directly to U.S. and international distributors, dealers and original equipment manufacturers that market our encryption products and to end-users. In fiscal year 2008, we entered into the License Agreement with Videocon. During fiscal year 2009, we have recognized revenue from sales of encryption products of approximately \$90,000, revenue from display engineering services of \$52,000 and display technology license fees of approximately \$913,000.

**Contractual Obligations**

The following table presents our expected cash requirements for contractual obligations outstanding as of October 31, 2009:

<u>Contractual Obligations</u>	<u>Payments Due by Period</u>				<u>Total</u>
	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>4-5 years</u>	<u>After 5 years</u>	
Consulting Agreement	\$ 128,000	\$ -	\$ -	\$ -	\$ 128,000
Noncancelable Operating Leases	296,000	330,000	-	-	626,000
Secured Loan Obligation to Mars Overseas	-	-	-	5,000,000	5,000,000
<b>Total Contractual Cash Obligations</b>	<b>\$ 424,000</b>	<b>\$ 330,000</b>	<b>\$ -</b>	<b>\$ 5,000,000</b>	<b>\$ 5,754,000</b>

## **Off-Balance Sheet Arrangements**

We have no variable interest entities or other off-balance sheet obligation arrangements.

## **Effect of Recent Accounting Pronouncements**

In December 2007, the Financial Accounting Standards Board (“FASB”) issued updated guidance for accounting for business combinations, which is included in ASC 805 “Business Combinations” (“ASC 805”). The updated guidance better represents the economic value of a business combination transaction. The changes to be effected with the new guidance include, but are not limited to: (1) acquisition costs will be recognized separately from the acquisition; (2) known contractual contingencies at the time of the acquisition will be considered part of the liabilities acquired measured at their fair value and all other contingencies will be part of the liabilities acquired measured at their fair value only if it is more likely than not that they meet the definition of a liability; (3) contingent consideration based on the outcome of future events will be recognized and measured at the time of the acquisition; (4) business combinations achieved in stages (step acquisitions) will need to recognize the identifiable assets and liabilities, as well as noncontrolling interests, in the acquiree, at the full amounts of their fair values; and (5) a bargain purchase (defined as a business combination in which the total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred plus any noncontrolling interest in the acquiree) will require that excess to be recognized as a gain attributable to the acquirer. In April 2009, the FASB amended the guidance related to contingencies in a business combinations, which is included in ASC 805-20 “Identifiable Assets and Liabilities, and Any Noncontrolling Interest”. The amendment changes the provisions in ASC 805 for the initial recognition and measurement, subsequent measurement and accounting, and disclosures for assets and liabilities arising from contingencies in business combinations. It further eliminates the distinction between contractual and non-contractual contingencies, including the initial recognition and measurement criteria in the updated business combinations guidance and instead carries forward most of the provisions of the previous business combinations guidance for acquired contingencies. ASC 805 is effective for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2008. The adoption of ASC 805 is not expected to have a material effect on our accompanying consolidated financial statements.

Effective May 1, 2009, we adopted the FASB guidance on interim disclosures about fair value of financial instruments. The updated guidance requires entities to include disclosures regarding the fair value of financial instruments and methods and significant assumptions used to estimate the fair value in their interim financial statements. There were no changes to the required annual disclosures. The fair value guidance regarding the interim disclosures about fair value of financial instruments and the fair value option for financial assets and liabilities is included in ASC 825 “Financial Instruments”. See Note 2, “Summary of Significant Accounting Policies - Fair Value Measurements,” for the required annual disclosures. Additionally, effective November 1, 2008, we adopted the FASB guidance regarding the fair value option for financial assets and liabilities, which permits entities to measure eligible financial instruments at fair value. As we did not elect the fair value option for its financial instruments (other than those already measured at fair value in accordance with ASC 820) (as defined in Note 2, “Summary of Significant Accounting Policies – Fair Value Measurements”), the adoption of this guidance did not have an impact on our accompanying consolidated financial statements.

Effective May 1, 2009, we adopted the new FASB guidance on recognition and presentation of other-than-temporary impairments. The guidance amends the requirements for recognizing other-than-temporarily impaired debt securities and revises the existing impairment model for such securities by modifying the current intent and ability indicator in determining whether a debt security is other-than-temporarily impaired. This guidance is included in ASC 320 "Investments" ("ASC 320"). It also modifies the presentation of other-than-temporary impairment losses and increases the frequency of and expands required disclosures about other-than-temporary impairment for debt and equity securities. The adoption of this guidance did not have a material effect on our accompanying consolidated financial statements.

Effective July 31, 2009, we adopted the new FASB guidance on subsequent events, which is included in ASC 855 "Subsequent Events". The objective of this guidance is to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. This statement introduces the concept of financial statements being available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The adoption of this guidance did not have a material effect on our accompanying consolidated financial statements.

**PART III**

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The following table sets forth certain information with respect to our common stock beneficially owned as of January 25, 2010 by (a) each person who is known by us to be the beneficial owner of more than 5% of our outstanding common stock, (b) each of our directors and executive officers, and (c) all directors and executive officers as a group:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)(2)	Percent of Class
Mars Overseas Limited (3) P.O. Box 309, GI Uglan House South Church Street, George Town Grand Cayman, Cayman Islands	20,000,000	13.70%
Denis A. Krusos 900 Walt Whitman Road Melville, NY 11747	10,519,880	6.78%
Henry P. Herms 900 Walt Whitman Road Melville, NY 11747	755,575	*
George P. Larounis 900 Walt Whitman Road Melville, NY 11747	760,000	*
All Directors and Executive Officers as a Group (3 persons)	12,035,455	7.69%

\* Less than 1%.

- (1) A beneficial owner of a security includes any person who directly or indirectly has or shares voting power and/or investment power with respect to such security or has the right to obtain such voting power and/or investment power within sixty (60) days. Except as otherwise noted, each designated beneficial owner in this report has sole voting power and investment power with respect to the shares of our common stock beneficially owned by such person.
- (2) Includes 9,100,000 shares, 745,000 shares, 720,000 shares and 10,565,000 shares which Denis A. Krusos, Henry P. Herms, George P. Larounis, and all directors and executive officers as a group, respectively, have the right to acquire within 60 days upon exercise of options granted pursuant to the 1993 Stock Option Plan, 2000 Share Incentive Plan and the 2003 Share Incentive Plan (as each is defined in Note 7 to our Consolidated Financial Statements).

- (3) The Company has relied solely on information provided in Amendment No. 1 to the Schedule 13G which Mars Overseas Limited filed with the Securities and Exchange Commission on May 17, 2010. As reported in the Schedule 13G/A, Mars Overseas is a joint venture controlled by six entities. The governing documents of Mars Overseas require majority voting of the six entities that are party to the joint venture with respect to the 20,000,000 CopyTele shares owned by Mars Overseas. Four of these six entities are controlled by members of the Dhoot family, which include Messrs. Venugopal N. Dhoot, Rajkumar N. Dhoot and Pradipkumar N. Dhoot. The remaining two entities are publicly traded corporations outside of the United States, of which the above-mentioned members of the Dhoot family hold a significant percentage, although less than 50% of such publicly traded companies. Messrs. Venugopal N. Dhoot, Rajkumar N. Dhoot and Pradipkumar N. Dhoot all disclaim beneficial ownership in the shares held by Mars Overseas except to the extent of their pecuniary interest, and disclaim membership as a group.

### **Equity Compensation Plan Information**

The following is information as of October 31, 2009 about shares of our common stock that may be issued upon the exercise of options, warrants and rights under all equity compensation plans in effect as of that date, including our 1993 Stock Option Plan, our 2000 Share Incentive Plan and our 2003 Share Incentive Plan. See Note 7 to Consolidated Financial Statements for more information on these plans.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	2,258,466	\$ 0.91	21,508
Equity compensation plans not approved by security holders (1)	18,252,045	\$ 0.80	5,483,086
Total	20,510,511	\$ 0.81	5,504,594

(1) On April 23, 2003 the Board of Directors adopted the 2003 Share Incentive Plan (the "Plan"). Officers, key employees and non-employee directors of, and consultants to, the Company or any of its subsidiaries and affiliates are eligible to participate in the Plan. The Plan provides for the grant of stock options, stock appreciation rights, stock awards, performance awards and stock units (the "Benefits"). The maximum number of shares of common stock available for issuance under the Plan initially was 15,000,000 shares. On October 8, 2004, February 9, 2006, August 22, 2007 and December 3, 2008, the Plan was amended by our Board of Directors to increase the maximum number of shares of common stock that may be granted to 30,000,000 shares, 45,000,000 shares, 55,000,000 shares and 70,000,000 shares, respectively. Current and future non-employee directors are automatically granted non-qualified stock options to purchase 60,000 shares of common stock upon their initial election to the Board of Directors and at the time of each subsequent annual meeting of shareholders at which they are elected to the Board of Directors. The Plan was administered by the Stock Option Committee through June 2004 and since that date has been administered by the Board of Directors, which determines the option price, term and provisions of the Benefits. The Plan contains provisions for equitable adjustment of the Benefits in the event of a merger, consolidation, reorganization, recapitalization, stock dividend, stock split, reverse stock split, spinoff, combination of shares, exchange of shares, dividends in kind or other like change in capital structure or distribution (other than normal cash dividends) to stockholders of the Company. The Plan terminates on April 21, 2013. The Board of Directors may amend, suspend or terminate the Plan at any time.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

**Transactions with Related Persons**

Except for those transactions between the Company and Videocon or Mars Overseas, there have been no related party transactions, or any other transactions or relationships required to be disclosed pursuant to Item 404 of Regulation S-K. Videocon and Mars Overseas are related persons under Item 404 due to Mars Overseas' beneficial ownership of more than five percent (5%) of our outstanding common stock. Under the terms of the License Agreement with Videocon, Videocon was required to pay us a non-refundable technology transfer license fee of \$11 million, of which \$2 million was paid in May 2008, and the balance was schedule to be paid, as follows: \$1.5 million in February 2009, \$2.5 million in November 2009, and \$5 million in August 2010. However, as set forth above in "Item 1. Business", we have agreed to defer a portion of these payments. Videocon is also required to pay us a royalty of six percent of the Ex-Factory Price (defined in the License Agreement to be selling price of the products/goods less any costs incidental to the delivery of the goods to the customer) on the first \$5,000,000 of display sales (at the Ex-Factory Price) by Videocon, and with respect to all display sales in excess of \$5,000,000 (at the Ex-Factory Price), (i) three percent of Ex-Factory Price with respect to sales made on or prior to the seventh anniversary of the effective date of the License Agreement and (ii) one percent of the Ex-Factory Price with respect to sales made after the seventh anniversary of the effective date of the License Agreement; provided that the royalty may increase under other certain circumstances as a result of significant improvements in the Licensed Technology, as defined in the License Agreement. Additional details of the transactions with Videocon and Mars Overseas can be found under "Item 1. Business," subsection "Overview" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation," subsection "General."

**Related Person Transaction Approval Policy**

Our Board of Directors review and approve all transactions between us and a related person, to the extent required by applicable rules and regulations. Generally, management would present to the Board of Directors for approval at the next regularly scheduled Board meeting any related person transactions proposed to be entered into by us.



## **Director Independence**

Our Board of Directors oversees the activities of our management in the handling of the business and affairs of our company. We are not subject to listing requirements of any national securities exchange or inter-dealer quotation system which require that our Board comprised of a majority of “independent” directors. Notwithstanding, George P. Larounis currently meets the definition of “independent” as promulgated by the rules and regulations of The Nasdaq Stock Market. Our directors, Denis Krusos and Henry Herms, are employees of the Company and as such do not qualify as “independent” directors under the rules adopted by The Nasdaq Stock Market and other stock exchanges.

### **PART IV**

#### **Item 15. Exhibits, Financial Statement Schedules**

##### **(a)(1)(2) Financial Statement Schedules**

See accompanying “Index to Consolidated Financial Statements.”

##### **(a)(3) Executive Compensation Plans and Arrangements**

CopyTele, Inc. 1993 Stock Option Plan (filed as Annex A to our Proxy Statement dated June 10, 1993).

Amendment No. 1 to CopyTele, Inc. 1993 Stock Option Plan (filed as Exhibit 4(d) to our Form S-8 dated September 6, 1995).

Amendment No. 2 to CopyTele, Inc. 1993 Stock Option Plan (filed as Exhibit 10.32 to our Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 1996).

CopyTele, Inc. 2000 Share Incentive Plan (filed as Annex A of our Proxy Statement dated June 12, 2000).

Amendment No. 1 to CopyTele, Inc. 2000 Share Incentive Plan (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2001).

Amendment No. 2 to CopyTele, Inc. 2000 Share Incentive Plan (filed as Exhibit 4(e) to our Form S-8 dated September 18, 2002).

CopyTele, Inc. 2003 Share Incentive Plan (filed as Exhibit 4 to our Form S-8 dated May 5, 2003).

Amendment No. 1 to the CopyTele, Inc. 2003 Share Incentive Plan (filed as Exhibit 4(e) to our Form S-8 dated November 9, 2004).

Amendment No. 2 to the CopyTele, Inc. 2003 Share Incentive Plan (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2006).

Amendment No. 3 to the CopyTele, Inc. 2003 Share Incentive Plan (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2006).

Amendment No. 4 to the CopyTele, Inc. 2003 Share Incentive Plan (Incorporated by reference to Exhibit 4(g) to our Form S-8 dated September 21, 2007.)

Amendment No. 5 to the CopyTele, Inc. 2003 Share Incentive Plan. (Incorporated by reference to Exhibit 4(g) to our Form S-8 dated January 21, 2009.)

Form of Stock Option Agreement under CopyTele, Inc. 2003 Share Incentive Plan (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2004).

Form of Stock Award Agreement under CopyTele, Inc. 2003 Share Incentive Plan (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2004).

**(b) Exhibits**

- 3.1 Certificate of Incorporation, as amended. (Incorporated by reference to Form 10-Q for the fiscal quarter ended July 31, 1992 and to Form 10-Q for the fiscal quarter ended July 31, 1997.)
- 3.2 Amended and Restated By-laws. (Incorporated by reference to Exhibit 3.2 to our Form 8-K dated August 4, 2008.)
- 4.1 Common Stock Purchase Warrant issued to ZQX Advisors, LLC on August 20, 2009 (Incorporated by reference to Exhibit 4.1 to our Form 10-K for the fiscal year ended October 31, 2009.)
- 4.2 Common Stock Purchase Warrant issued to ZQX Advisors, LLC on August 20, 2009 (Incorporated by reference to Exhibit 4.2 to our Form 10-K for the fiscal year ended October 31, 2009.)
- 10.1 CopyTele, Inc. 1993 Stock Option Plan, adopted on April 28, 1993 and approved by shareholders on July 14, 1993. (Incorporated by reference to Proxy Statement dated June 10, 1993.)
- 10.2 Amendment No. 1 to the CopyTele, Inc. 1993 Stock Option Plan, adopted on May 3, 1995 and approved by shareholders on July 19, 1995. (Incorporated by reference to Form S-8 (Registration No. 33-62381) dated September 6, 1995.)

- 10.3 Amendment No. 2 to the CopyTele, Inc. 1993 Stock Option Plan, adopted on May 10, 1996 and approved by shareholders on July 24, 1996. (Incorporated by reference to Form 10-Q for the fiscal quarter ended April 30, 1996.)
- 10.4 Agreement dated March 3, 1999 between Harris Corporation and CopyTele, Inc. (Incorporated by reference to Form 10-Q for the fiscal quarter ended January 31, 1999.)
- 10.5 Agreement dated July 28, 1999, among CopyTele, Inc., Harris Corporation and RF Communications. (Incorporated by reference to Form 8-K dated July 28, 1999.)
- 10.6 CopyTele, Inc. 2000 Share Incentive Plan. (Incorporated by reference to Annex A of our Proxy Statement dated June 12, 2000.)
- 10.7 Amendment No. 1 to the CopyTele, Inc. 2000 Share Incentive Plan, adopted on July 6, 2001 and approved by shareholders on August 16, 2001. (Incorporated by reference to Form 10-Q for the fiscal quarter ended July 31, 2001.)
- 10.8 Amendment No. 2 to the CopyTele, Inc. 2000 Share Incentive Plan, adopted on July 16, 2002 and approved by shareholders on September 12, 2002. (Incorporated by reference to Exhibit 4(e) to our Form S-8 (Registration No. 333-99717) dated September 18, 2002.)
- 10.9 Amendment, dated May 10, 2001, to the Joint Cooperation Agreement between CopyTele, Inc. and Volga Svet Ltd. (Incorporated by reference to Exhibit 10.14 to our Form 10-K for the fiscal year ended October 31, 2001.)
- 10.10 Letter Agreement between CopyTele, Inc. and Volga Svet Ltd., dated as of February 1, 2002. (Incorporated by reference to Exhibit 10.15 to our Form 10-K for the fiscal year ended October 31, 2001.)
- 10.11 CopyTele, Inc. 2003 Share Incentive Plan. (Incorporated by reference to Exhibit 4 to our Form S-8 dated May 5, 2003).
- 10.12 Amendment No. 1 to the CopyTele, Inc. 2003 Share Incentive Plan. (Incorporated by reference to Exhibit 4(e) to our Form S-8 dated November 9, 2004.)
- 10.13 Amendment No. 2 to the CopyTele, Inc. 2003 Share Incentive Plan. (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2006).

- 10.14 Amendment No. 3 to the CopyTele, Inc. 2003 Share Incentive Plan. (Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2006).
- 10.15 Amendment No. 4 to the CopyTele, Inc. 2003 Share Incentive Plan. (Incorporated by reference to Exhibit 4(g) to our Form S-8 dated September 21, 2007.)
- 10.16 Amendment No. 5 to the CopyTele, Inc. 2003 Share Incentive Plan. (Incorporated by reference to Exhibit 4(g) to our Form S-8 dated January 21, 2009.)
- 10.17 Form of Stock Option Agreement under CopyTele, Inc. 2003 Share Incentive Plan. (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2004).
- 10.18 Form of Stock Award Agreement under CopyTele, Inc. 2003 Share Incentive Plan. (Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2004).
- 10.19 Long Term Agreement dated May 23, 2007, between The Boeing Company and CopyTele, Inc. (Incorporated by reference to Exhibit 10.1 to our Form 8-K dated May 23, 2007.)
- 10.20 Amended and Restated Technology License Agreement, dated May 16, 2008, between CopyTele, Inc. and Videocon Industries Limited (Filed herewith) (Confidential portions have been omitted and filed separately with the Commission) (This Exhibit supersedes and replaces the redacted version of the Amended and Restated Technology License Agreement filed as Exhibit 10.18 to Amendment No. 1 to our Form 10-K filed on March 10, 2010).
- 10.21 Modification Letter, dated March 11, 2009, from CopyTele, Inc. to Videocon Industries Limited with respect to the Amended and Restated Technology License Agreement, dated May 16, 2008 (Incorporated by reference to Exhibit 10.21 to our Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2009.)
- 10.22 Modification Letter, dated January 13, 2010, from CopyTele, Inc. to Videocon Industries Limited with respect to the Amended and Restated Technology License Agreement, dated May 16, 2008. (Incorporated by reference to Exhibit 10.22 to our Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2009.)
- 10.23 Loan and Pledge Agreement, dated November 2, 2007, between Mars Overseas Limited and CopyTele International Ltd. (Incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2008.)

- 10.24 Loan and Pledge Agreement, dated November 2, 2007, between CopyTele International Ltd. and Mars Overseas Limited. (Incorporated by reference to Exhibit 10.6 to our Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2008.)
- 21 Subsidiaries of CopyTele, Inc. (Incorporated by reference to Exhibit 21 to our Annual Report on Form 10-K for the fiscal year ended October 31, 2009.)
- 23.1 Consent of KPMG LLP. (Incorporated by reference to Exhibit 23.1 to our Form 10-K for the fiscal year ended October 31, 2009.)
- 23.2 Consent of Grant Thornton LLP. (Incorporated by reference to Exhibit 23.2 to our Form 10-K for the fiscal year ended October 31, 2009.)
- 31.1 Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 29, 2010. (Filed herewith.)
- 31.2 Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 29, 2010. (Filed herewith.)
- 32.1 Statement of Chief Executive Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated June 29, 2010. (Filed herewith.)
- 31.2 Statement of Chief Financial Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated June 29, 2010. (Filed herewith.)

**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.

COPYTELE, INC.

By: /s/ Denis A. Krusos  
Denis A. Krusos  
Chairman of the Board and  
Chief Executive Officer

June 29, 2010

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 date indicated.

By: /s/ Denis A. Krusos  
Denis A. Krusos  
Chairman of the Board,  
Chief Executive Officer  
and Director (Principal Executive Officer)

June 29, 2010

By: /s/ Henry P. Herms  
Henry P. Herms  
Vice President - Finance,  
Chief Financial Officer and  
Director (Principal Financial

June 29, 2010

By: /s/ George P. Larounis  
George P. Larounis  
Director

June 29, 2010



CopyTele, Inc. has redacted certain confidential information in this agreement in reliance upon its confidential treatment request that if filed with the Securities and Exchange Commission pursuant to Rule 24 b-2 under the Securities Exchange Act of 1934. In this agreement, we indicate each redaction by use of the following symbol \*\*\*.

**AMENDED AND RESTATED TECHNOLOGY LICENSE AGREEMENT**

THIS AMENDED AND RESTATED TECHNOLOGY LICENSE AGREEMENT (the "Agreement"), made as of the 16<sup>th</sup> day of May, 2008, by and between CopyTele, Inc., a Delaware corporation having an address at 900 Walt Whitman Road, Melville, New York 11747 ("CopyTele"), and Videocon Industries Limited, a company existing under the laws of India, having its principal place of business at 2<sup>nd</sup> Floor Fort House, D.N. Road, Fort, Mumbai – 400 001 (INDIA) ("Videocon").

**W I T N E S S E T H:**

*WHEREAS* CopyTele has developed and is the owner of technology (the "CopyTele Technology"), variously protected by patents, patent applications, know-how and trade secrets, relating to thin flat Low Voltage Phosphor displays ("Displays"); and

*WHEREAS*, Videocon is in the business of developing, manufacturing, and selling CRT, LCD and Plasma displays; and

*WHEREAS*, Videocon and CopyTele propose jointly to further develop the CopyTele Technology to make it suitable to be utilized in commercial applications such as television displays; and

*WHEREAS*, the Parties desire to set forth their agreement for manufacturing and selling Modules containing Displays; and

*WHEREAS*, Videocon desires to receive a transfer of the CopyTele Technology and a license under the CopyTele Technology for the manufacture and distribution of such Modules; and

*WHEREAS*, CopyTele is willing to transfer such CopyTele Technology and grant Videocon such a license, subject to the terms and conditions of this Agreement;

*WHEREAS*, CopyTele and Videocon had entered into a Technology License Agreement on 2<sup>nd</sup> November 2007 which will be amended, restated and replaced by this Agreement.

*WHEREAS*, Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, Secretariat for Industrial Assistance (PAB – IL Section) has granted its approval to certain terms and conditions of this Agreement vide letter No. 27 (2008) / 7 (2008) / PAB – IL, which shall form an integral part of this Agreement and has been incorporated in this Agreement in the form of **Exhibit F**.

*NOW, THEREFORE*, in consideration of their mutual covenants herein contained, and for other good and valuable consideration, and intending to be legally bound hereby, the parties hereto agree as follows:

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Article I. DEFINITIONS

Section 1.01 “Copyright Rights” shall mean all rights in works of authorship, including diagrams, schematics, flow charts, manuals, and documentation, relating to the CopyTele Technology (all of the foregoing works being referred to herein as the “Works”), including registrations of copyright in the Works.

Section 1.02 “CopyTele Technology” shall have the meaning set forth in the preamble, and shall include nanotube devices for use in displays, as well as thin film electron emitters and shall also include the technical information, know-how, manufacturing techniques, engineering data, specification of materials and other information in the possession of CopyTele relating to or in respect of manufacture and use of the Products and all or part of which may be necessary to enable Videocon to manufacture the Products to a standard and quality similar to the standard and quality of Modules.

Section 1.03 “Dhoot Family” shall mean Mr. V.N. Dhoot, Mr. P.N. Dhoot, Mr. R.N. Dhoot and any of their spouses and children.

Section 1.04 “Effective Date” shall mean May 16, 2008.

Section 1.05 “Ex-Factory Price” shall have the meaning set forth in Exhibit E.

Section 1.06 “Modules” shall have the meaning set forth in Exhibit A.

Section 1.07 “Products” shall mean Modules that are (a) within the scope of any claim of the Patent Rights or (b) made with the use of or embody any of the Trade Secrets or the Works.

Section 1.08 “Patent Rights” shall mean those United States and foreign patents and patent applications and design applications and registrations identified in Exhibit B, and patents and patent applications in the same and other countries having the same substantive disclosure and claiming the benefit of such applications, including continuations, divisionals, re-examinations, re-issues and extensions thereof.

Section 1.09 “Trade Secrets” shall mean all confidential and proprietary technical information of CopyTele relating to the CopyTele Technology and disclosed by CopyTele to Videocon in connection with this Agreement.

Section 1.10 “Videocon Group Company” shall mean a company in which Videocon, the Dhoot Family, or both hold either directly or indirectly at least 50% of the share capital or have management control.

Article II. LICENSE

Section 2.01 CopyTele hereby grants to Videocon, subject to the provisions of Section 2.04 below, a non-transferable, worldwide, royalty-bearing right and license under the Patent Rights, the Trade Secrets, the Copyright Rights and other CopyTele Technology to manufacture, use, sell, and offer for sale Products or other Products that CopyTele and Videocon may mutually agree upon in writing. CopyTele shall continue to have the right to produce and market, and to utilize the entities listed in Exhibit C to produce and market, Products utilizing the CopyTele Technology.

Section 2.02 Joint agreement of CopyTele and Videocon in writing shall be necessary in case of grant of licenses to third parties under the CopyTele Technology, upon reasonable terms and conditions as agreed by CopyTele and Videocon.

Section 2.03 The license granted herein does not include the right to have Products made by another.

Section 2.04 Videocon shall be entitled to grant sublicense of the Patent Rights, Trade Secrets, Copyright Rights and other CopyTele Technology only to other Videocon Group Company/ies (any such Videocon Group Company to which Videocon has granted such a sublicense, a "Sublicensee"), and any such sublicense shall be subject to the terms and conditions of this Section 2.04. In the event that Videocon sublicenses the Patent Rights, the Trade Secrets, the Copyright Rights or other CopyTele Technology to any Sublicensee, such Sublicensee shall be bound by the terms of this Agreement, including, without limitation, that it shall be liable to pay to CopyTele royalty for the Products sold by it on the same terms and at the same rate as provided in Article VI. In the event of any such sublicense, Videocon shall procure in writing from such Sublicensee a sublicense agreement confirming the payment of royalty and adherence of the terms and conditions of this Agreement as applicable to it, and shall provide to CopyTele a copy of such sublicense agreement. Videocon shall give to CopyTele prompt written notice of such sublicense, setting forth the name and address of such Sublicensee, jurisdiction of incorporation or formation, and precise amount and nature of Videocon's and the Dhoot Family's ownership interest therein. In the event any Sublicensee to whom such sublicense is granted ceases to qualify as Videocon Group Company, the sublicense granted to such Sublicensee shall forthwith stand terminated. Videocon shall be responsible for the performance by any permitted Sublicensee, and any breach by any permitted Sublicensee shall be deemed a breach by Videocon.

Section 2.05 The license granted herein includes the right only to sell and offer for sale completed Products, and not components or sub-assemblies thereof, to any third party or Videocon Group Company. However, Videocon or any Sublicensee shall be entitled to sell the components or sub-assemblies to any other Videocon Group Company.

Section 2.06 The rights licensed under the Copyright Rights include the rights to copy and modify the Works for the internal use of Videocon in connection with the manufacture, use, sale and offer for sale of Products, but not the right to publish, distribute, transmit or publicly display the Works, or any combination thereof, in whole or in part.

### Article III. DISCLOSURE AND TARGET JOINT DEVELOPMENT PROGRAM

Section 3.01 CopyTele shall use its commercially reasonable efforts to disclose to Videocon the CopyTele Technology to the extent required for suitably qualified and experienced (in the reasonable judgment of CopyTele) personnel of Videocon to understand the CopyTele Technology. Such efforts shall consist of furnishing to Videocon such copies of existing documentation of the CopyTele Technology as CopyTele deems reasonable, and providing reasonable training of suitably qualified and experienced (in the reasonable judgment of CopyTele) Videocon personnel at CopyTele's facility in Melville, New York, or at Videocon's facilities at mutually agreeable times.

Section 3.02 CopyTele and Videocon shall jointly cooperate, prior to production, to jointly implement the CopyTele Technology to produce prototypes of the Modules in accordance with the target task & schedule as indicated in Exhibit D. Any patent required to be registered in respect of such implementation of the CopyTele Technology shall be jointly applied for by CopyTele and Videocon.

Article IV. PRODUCTION

Section 4.01 To prepare for the production and manufacture of the Products, Videocon, at Videocon's sole expense, with the assistance of CopyTele, shall undertake the following:

- (a) Videocon shall provide all design and process engineering required to produce the Products based on the CopyTele Technology.
- (b) CopyTele and Videocon shall hold joint design reviews as required from time to time.
- (c) CopyTele and Videocon shall jointly agree, in writing, concerning Product acceptance and testing criteria for engineering samples.
- (d) Videocon and CopyTele shall each record all progress and achievements in preparation for production and deliver progress reports to the other within one week after the end of each calendar month until the commencement of commercial production of the Products.
- (e) Videocon shall purchase, at its sole expense, all tooling and fixtures for the production of Products.

Section 4.02 Throughout the term of this Agreement, Videocon shall deliver (and/or cause to be delivered by a Sublicensee) to CopyTele such information as CopyTele shall reasonably request regarding Videocon's (or such Sublicensee's) testing of the Products.

Section 4.03 After commencement of commercial production of the Products, Videocon and any permitted Sublicensee shall provide CopyTele with production samples from time to time as may be reasonably requested by CopyTele. Videocon and CopyTele shall hold joint reviews of such production as may be reasonably necessary to ensure quality of the Product from time to time.

Section 4.04 Videocon may purchase raw materials for use in production of Products from any source, including CopyTele, as elected by Videocon.

Article V. IMPROVEMENTS

Section 5.01 All developments and improvements subsequent to the Effective Date in the Products, design changes, modifications, revisions, additions and the like to CopyTele Technology ("Improvements") developed, conceived or reduced to practice jointly or severally by employees of Videocon (or contractors or agents of Videocon), or employees of CopyTele (or contractors or agents of CopyTele), shall be jointly owned, in equal undivided shares, by Videocon and CopyTele. The parties shall decide jointly on seeking patent protection in any Improvements and in strategy in filing and prosecuting patent applications, and shall share equally in the expense of patent application preparation and prosecution, and patent maintenance.

Section 5.02 Each party shall execute, and shall cause its employees, contractors and agents to execute, such assignments of patent applications, confirmatory licenses, and other documents that the other or its counsel may reasonably request to assure that the rights licensed and granted under this Article V fully vest in the other party.

Section 5.03 Videocon represents, warrants and covenants that there now are and will be throughout the term of this Agreement valid and enforceable written agreements, between Videocon and its employees, contractors and agents, pursuant to which Videocon will have sole ownership of any Improvement and sole ownership of any contribution of such employee, contractor or agent to any Improvement, and further obligating such employees, contractors and agents to provide cooperation, execute documents, and otherwise perform those acts as may be required for Videocon to fulfill its obligations under Sections 5.01 and 5.02 hereof. Videocon further warrants that the grant of Improvements to CopyTele shall be free of any claims for compensation by any Videocon employee, contractor or agent.

Article VI. PAYMENTS; INSEPCTION; REFERRAL

Section 6.01 FEE AMOUNTS. In consideration of the disclosure of CopyTele Technology under this Agreement, Videocon agrees to pay CopyTele the technology transfer fees ("Technology Transfer Fees") in the amounts and on the dates set forth in Exhibit E. In consideration of the license granted herein, Videocon agrees to pay CopyTele a royalty (the "Percentage Royalty") equal to the Percentage Royalty Rate, as set forth in Exhibit E, of the Ex-Factory Price of all Products sold by Videocon or any permitted Sublicensee to any party. In the event of any sublicense, Videocon shall ensure that such Sublicensee pays to CopyTele the Percentage Royalty as set forth in Exhibit E.

Section 6.02 TIME OF PAYMENT. Videocon shall pay to CopyTele the Technology Transfer Fees at the times set forth in Exhibit E. Videocon shall pay, and cause each Sublicensee, as applicable, to pay, to CopyTele the Percentage Royalties with respect to sales in each calendar quarter on or before the 90<sup>th</sup> day following the end of such calendar quarter.

Section 6.03 MANNER OF PAYMENT. Payments shall be made, in U.S. dollars, by electronic transfer to an account, designated by CopyTele in writing, no later than the due date.

Section 6.04 LATE PAYMENTS; INTEREST. If Videocon or any Sublicensee fails to make any payment of Percentage Royalties, Technology Transfer Fees or other amount due under this Agreement to CopyTele within ten business days of its due date, Videocon or such Sublicensee shall, in addition to and without limitation of CopyTele's other remedies hereunder, pay to CopyTele interest thereon from the date ten business days after its due date until paid at the annual rate equal to LIBOR then in effect plus 5% per annum; provided that in no event shall the rate of interest required hereunder exceed the maximum rate permitted under applicable law.

Section 6.05                    **AUDIT.** Videocon shall deliver to CopyTele a statement of the royalty calculations as certified by its statutory auditors (and those of any Sublicensee that is liable to pay a royalty in accordance with this Article VI), stating the amount of the license fees payable to CopyTele under this Agreement. Such statement of royalty calculations shall be delivered by Videocon to CopyTele on or before 20<sup>th</sup> July for each period of January to June and on or before 20<sup>th</sup> January for each period of July to December. In the event CopyTele requires any further details in respect of any amounts stated in the calculations statements, Videocon shall within 7 (seven) working days of such request furnish such required details and/or invoice, as the case may be including extracts from its books of records duly certified by the statutory auditors. In the event Videocon and CopyTele are unable to resolve any differences as regards payment of royalty, the matter will be referred to CEO of CopyTele and Videocon. In the event the matter remains unresolved after such reference to CEOs of CopyTele and Videocon, the differences shall be referred to arbitration under the provisions of Section 15.09. Such submission of accounts statement and furnishing of additional details, invoices and extracts, as the case may be shall be at CopyTele's expense, provided, however, that if underpayment by Videocon is determined to be more than 10% of the total payments owed for the relevant period, Videocon shall repay and/or reimburse to CopyTele the cost incurred for preparation of the accounts statement and furnishing of the required details, invoices and extracts.

Section 6.06                    **COMPUTATION OF ROYALTIES.** Royalties shall be payable based on the invoicing of all Products, whether to third parties or to any Videocon Group Company, whether by Videocon or by any other Videocon Group Company, and whether or not for captive consumption by Videocon, at the Percentage Royalty rate as set forth in Exhibit E.

Section 6.07                    **REFERRALS.** If CopyTele receives any orders for Products, it may, in its sole discretion, refer any such orders to Videocon. Videocon shall use its best efforts to sell, or cause a Videocon Group Company to sell, in accordance with this Agreement, such Products as may be necessary to fulfill any orders referred to Videocon by CopyTele and any orders that CopyTele places provided, however, the price to be paid to Videocon (or the Sublicensee as the case may be), shall not be less than the price at which Videocon (or the Sublicensee, as the case may be) is selling the same product otherwise to other customers.

Article VII.                    **EFFORTS TO MARKET**

Videocon shall use its best efforts to exploit the rights granted to it hereby and to sell the Products therein consistent with the limitations of this Agreement. Videocon shall be entitled to advertise the manufacture and/or sale of the Products by them through any media as Videocon may deem appropriate.

Article VIII.                    **TAXES**

Any sales, use, rental, receipt, personal property, value-added, consumption, goods and services, customs, excise or other tax or duty which may be levied or assessed in connection with the licenses granted under this Agreement, the disclosure and/or transfer of CopyTele Technology, and/or the payment of fees under this Agreement, shall be the sole responsibility of Videocon or its Sublicensee as the case may be. Videocon shall indemnify CopyTele from and against any charge or assessment for any such tax or duty. Notwithstanding the foregoing, if the Government of India or of the country of any Sublicensees imposes a tax on royalties payable hereunder to CopyTele, then Videocon or such Sublicensee shall pay such tax on behalf of CopyTele, shall deduct and adjust such tax paid from the royalty payable to CopyTele and shall submit a Tax Deduction Certificate to CopyTele. In the event CopyTele requires any assistance in seeking credit or deduction of such payments made in connection with CopyTele's taxes in the United States, Videocon or the Sublicensee as the case may be, shall render all its co-operation and assistance therefore.

Article IX. CONFIDENTIAL INFORMATION.

Section 9.01 DEFINITION. The Trade Secrets and all information communicated by either of CopyTele or Videocon (a “disclosing party”) to the other (a “receiving party”), in oral, written or electronic form, which is confidential to the disclosing party and provides value to the disclosing party at least in part by virtue of its confidential status, shall be deemed Confidential Information pursuant to this Agreement. In addition, and without limitation, the terms and conditions of this Agreement shall be deemed Confidential Information.

Section 9.02 CONFIDENTIAL NATURE. Each party, as a receiving party, acknowledges that the Confidential Information of the disclosing party is valuable and confidential proprietary information of the disclosing party, and that the value of the Confidential Information derives at least in part from its confidential status.

Section 9.03 MAINTENANCE OF CONFIDENTIALITY. Each party, as a receiving party, agrees to engage in efforts to maintain Confidential Information of the disclosing party in strict confidence at least as stringent as the efforts that the receiving party engages in to protect its own confidential information, and in any event no less than commercially reasonable efforts. Without limiting the foregoing, the receiving party shall restrict access to the Confidential Information of the disclosing party, by electronic security measures in the case of electronic files, and by physical security measures in the case of hard copies, to those employees who have a need to know such Confidential Information and shall advise those employees of the restrictions of this Agreement prior to any such disclosure. The receiving party shall immediately advise the disclosing party of any threatened, actual or apprehended disclosure of any Confidential Information.

Section 9.04 EXCEPTIONS. As used in this Agreement, Confidential Information shall not include:

- (a) Information which is now available to the public or hereafter becomes available to the public without any violation of this Agreement;
- (b) Information disclosed in good faith to the receiving party by a third party legally entitled to disclose the same; and
- (c) Information is required to be disclosed to any government agency or any regulatory authority or a court of competent jurisdiction provided that the parties agree to use their best efforts to minimize the disclosure of such information and shall consult with and assist the other party.

provided, however, that specific information shall not be deemed to be within any of the foregoing exceptions merely because it is in the scope of more general information within any such exceptions and a combination of features shall not be deemed to be within any such exceptions merely because individual features are within such exception.

Section 9.05                   DISCLOSURES. Under no circumstances shall the receiving party, without the prior written approval of the disclosing party, acknowledge to any third party what is or is not a part of Confidential Information of the disclosing party. In the event disclosure is required of the receiving party under provisions of any law or court order, the receiving party will notify the disclosing party of the obligation to make such disclosure upon receipt of such notification or order to disclose under any law or court order. The disclosing party may make necessary application to the concerned government department and/or court objecting to such disclosure of Confidential Information. However, in the event the receiving party is required to make disclosures irrespective of the outcome of any such application, it shall do so and notify the disclosing party accordingly. In the event of required disclosure, the receiving party will assert confidentiality to all Confidential Information of the disclosing party not directly required to be disclosed.

Section 9.06                   PUBLIC DISCLOSURES. Notwithstanding the foregoing, each receiving party shall be allowed to disclose Confidential Information of the disclosing party to make any necessary announcement or reporting required by the U.S. Securities and Exchange Commission, any stock exchange, the NASDAQ Stock Market, the Securities and Exchange Board of India. However, the party making the disclosure shall use reasonable efforts to notify the other party in advance of the contents of the announcement or the reporting.

Article X.                   MARKING.

Videocon and its permitted Sublicensees shall include proprietary markings on all Products, in a form reasonably specified by CopyTele in writing from time to time, and including a patent notice in the form "Pat. X,XXX,XXX" and/or "Pat. Pending."

Article XI.                   TERM; TERMINATION

Section 11.01                   TERM. The license and other rights herein granted shall commence upon the Effective Date and shall continue unless terminated by either party as provided in clause 11.02 hereafter; provided, however, that the parties' obligations under Article IX shall commence immediately.

Section 11.02                   TERMINATION. This Agreement and the licenses and other rights granted hereunder may be terminated by either party by written notice upon: (a) a material breach by the other party of its obligations hereunder, which material breach remains unremedied 90 (ninety) days after written notice thereof to the breaching party by the aggrieved party; (b) a filing by or against either party for protection, receivership, reorganization or dissolution under the Federal Bankruptcy Code or similar laws of any state or foreign country relating to insolvency, bankruptcy or the protection of debtors; (c) a cessation by either party of the conduct of its business in the ordinary course; (d) at any time prior to the Effective Date (and in such case, this Agreement shall be of no further force or effect, other than Articles IX and XII hereof, which shall continue); or (e) or as otherwise mutually decided by the parties.

Article XII. RIGHTS AND DUTIES ON TERMINATION.

Upon the termination for any reason of the license and other rights herein granted, Videocon agrees immediately to, and to cause all permitted Sublicensees to: (a) cease and desist from any and all activities requiring use of the rights granted hereunder, including without limitation the manufacture, use, sale or offer for sale of Products, provided, however, that Videocon may sell in the ordinary course of business Products completely manufactured as of the effective date of termination, subject to all applicable terms and conditions of this Agreement; (b) destroy or return to CopyTele all papers, documents, notebooks, charts, computer programs, computer files, records and all other stored information in any form incorporating any portion of the Confidential Information; (c) direct any and all employees of Videocon and/or employees of Sublicensee who have or have had access to any portion of the Confidential Information not to make any further use or disclosure of any portion of the Confidential Information for any purpose; and (d) submit a certificate confirming having complied with (a), (b) and (c) above.

Article XIII. PATENT PROSECUTION AND MAINTENANCE; INFRINGEMENTS.

Section 13.01 GENERAL. The prosecution and maintenance of patents and applications within the Patent Rights shall be conducted by CopyTele at CopyTele's sole expense, in the sole and absolute discretion of CopyTele, by counsel selected by CopyTele.

Section 13.02 ACTIONS. In the event that either party, or any permitted Sublicensee, becomes aware of an actual, apprehended or suspected infringement of any of the rights licensed hereunder, the parties shall promptly consult with respect thereto. In event of an infringement, both parties must consent to any grant of a license to the infringer. If either party refuses, in its sole and absolute discretion, to grant a license to the infringer, then both parties must join in an infringement suit; the parties shall jointly select counsel, shall jointly approve any settlement, and shall share equally in expenses and any recovery. If either party refuses, in its sole and absolute discretion, to join in an infringement suit, then the other party may file suit for infringement and if necessary make the other party a party defendant at the cost of the party filing suit. The party pursuing the suit shall select counsel, approve any settlement, and shall bear all of the costs of enforcement and retain any recovery in its entirety. The party not joining the suit shall, at the reasonable request and expense of the party pursuing the suit, provide such information, documents and assistance as may be deemed necessary or appropriate by the party pursuing the suit or its counsel in connection with enforcement against such infringement.

Section 13.03 NOTICES. Videocon shall notify CopyTele immediately in writing of any infringement or possible infringements made known to Videocon or any permitted Sublicensee of any right of CopyTele. Videocon shall provide at the reasonable request and expense of CopyTele and at CopyTele's expense, such information, document and assistance as may be deemed necessary or appropriate by CopyTele or its counsel in connection with enforcement against such infringement.



Article XIV. REPRESENTATIONS AND WARRANTIES.

Section 14.01 NO CONFLICTS. CopyTele represents and warrants that it has the right to enter into this Agreement, to grant the rights granted herein, and to perform its obligations hereunder, and that to do so will not violate or conflict with any agreement to which CopyTele is a party or by which CopyTele is bound, and that the Copyright Rights and Patent Rights do not violate the rights of any third party.

Section 14.02 AUTHORITY. Videocon represents and warrants that it has the right, power and authority to enter into this Agreement and to perform its obligations hereunder, and to do so will not violate or conflict with any agreement to which Videocon is a party or by which Videocon is bound.

Section 14.03 NO OTHER WARRANTIES. COPYTELE HEREBY DISCLAIMS ANY AND ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, RELATING TO THE COPYTELE TECHNOLOGY AND THE RIGHTS GRANTED UNDER THIS AGREEMENT, INCLUDING WITHOUT LIMITATION WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WARRANTIES OF VALIDITY, ENFORCEABILITY AND/OR NON-INFRINGEMENT.

Section 14.04 NO INDIRECT, SPECIAL, OR CONSEQUENTIAL DAMAGES. IN NO EVENT SHALL COPYTELE BE LIABLE TO VIDEOCON OR ANY THIRD PARTY FOR ANY INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION WORK DELAYS OR LOST PROFITS, RESULTING FROM THE USE OF THE COPYTELE TECHNOLOGY AND/OR PRODUCTS.

Section 14.05 INDEMNITY BY VIDEOCON. Videocon shall indemnify and hold harmless CopyTele and its directors, officers, agents and employees from and against all claims, suits, and damages whatsoever, including but not limited to incidental costs, attorney's fees and punitive damages, arising from or in connection with the breach or alleged breach by Videocon of any covenant, representation or warranty under this Agreement or the use of the CopyTele Technology by Videocon or any permitted Sublicensee, including the manufacture, distribution, marketing, sale and use of Products, and including without limitation all claims for false or misleading advertising, personal injury or property damage relating to Products; provided, however, that CopyTele shall (a) promptly notify Videocon in writing of such claims, and (b) provide to Videocon all reasonably available information, assistance and authority to defend, however, reserving unto CopyTele the right to: participate in any defense to the extent that, in its judgment, CopyTele may be prejudiced thereby, and approve any settlement offer made by or to Videocon which may affect CopyTele's rights or interests.

Section 14.06 INDEMNITY BY COPYTELE. CopyTele shall indemnify and hold harmless Videocon and its directors, officers, agents and employees from and against all claims, suits, and damages whatsoever, including but not limited to incidental costs, attorney's fees and punitive damages, arising from or in connection with the breach or alleged breach by CopyTele of any covenant, representation or warranty under this Agreement or the use of CopyTele Technology by Videocon; provided, however, that Videocon shall (a) promptly notify CopyTele in writing of such claims, and (b) provide to CopyTele all reasonably available information, assistance and authority to defend, however, reserving unto Videocon the right to: participate in any defense to the extent that, in its judgment, Videocon may be prejudiced thereby, and approve any settlement offer made by or to CopyTele which may affect Videocon's rights or interests.

Section 14.07 NOTICE OF ACTIONS. Videocon agrees to notify CopyTele immediately of any actions, claims or demands brought or made against Videocon whose outcome may affect the rights of CopyTele in any of the rights licensed or otherwise granted under this Agreement.

Article XV. MISCELLANEOUS.

Section 15.01 ENTIRE AGREEMENT; AMENDMENTS. This Agreement is the entire agreement of the parties with respect to the subject matter hereof, and supersedes all prior or contemporaneous agreements, arrangements, and understandings, whether oral or written, regarding the subject matter hereof. This Agreement may be amended only by a written instrument signed on behalf of the parties by their duly authorized representatives.

Section 15.02 BINDING AGREEMENT; ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, legal representatives and assigns. This Agreement and the license herein granted shall be assignable and transferable by CopyTele, upon written notice to Videocon. Videocon shall have no right to assign this Agreement or the license granted herein except with the written consent of CopyTele. For purposes of this Section 15.02, a change in control of Videocon or a merger in which Videocon does not survive shall be deemed an assignment.

Section 15.03 RELATIONSHIP OF PARTIES. In making and performing this Agreement, CopyTele and Videocon act and shall act at all times as independent contractors and nothing contained in this Agreement shall be construed or implied to create an agency or partnership relationship between the parties. At no time shall either party make commitments or incur any charges or expenses for or in the name of the other.

Section 15.04 SURVIVAL. It is expressly understood and agreed that Article V (but only as to Improvements conceived, developed and reduced to practice prior to termination or cancellation), Article VI, Article VIII, Article IX, Article XII, Article XIV, and Article XV hereof shall survive the termination of this Agreement and of the license herein granted and shall remain in full force and effect.

Section 15.05 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of India, without giving effect to conflict of laws.

Section 15.06 APPROVAL. Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, Secretariat for Industrial Assistance (PAB – IL Section) has granted its approval to certain terms and conditions of this Agreement vide letter No. 27 (2008) / 7 (2008) / PAB – IL, which shall form an integral part of this Agreement and has been incorporated in this Agreement in the form of **Exhibit F**.

Section 15.07 NOTICES. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be given by Federal Express, Express Mail, or similar overnight delivery or courier service or delivered (in person or by telecopy or similar telecommunications equipment) against receipt to the party to whom it is to be given at the address of such party set forth for such party below (or to such other address as the party shall have furnished in writing in accordance with the provisions of this Section 15.07), with a copy to each of the other parties hereto. Any notice shall be deemed given at the time of receipt thereof.

If to CopyTele:

CopyTele, Inc.  
900 Walt Whitman Road  
Melville, New York 11747  
United States of America  
Attention: Denis A. Krusos, Chairman & CEO  
Fax: 631-549-3813

If to Videocon:

Videocon Industries Limited  
2nd Floor, Fort House, D.N.Road  
Fort, Mumbai 400 001, INDIA  
Attention: Venugopal N. Dhoot, Director / Naveen Mandhana, Sr. Vice President  
Fax: 91-22-66551985

Section 15.08 SEVERABILITY. If any provision of this Agreement is invalid, illegal, or unenforceable, the balance of this Agreement shall remain in effect, and if any provision is inapplicable to any person or circumstance, it shall nevertheless remain applicable to all other persons and circumstances.

Section 15.09 DISPUTES. Any dispute, difference or controversy arising out of or relating to this Agreement, any document or instrument delivered pursuant to, in connection with, or simultaneously with this Agreement, or any breach of this Agreement or any such document or instrument, with the exception of an actual or apprehended unlawful disclosure or misappropriation of Confidential Information, shall be subject to settlement proceedings under the then-applicable International Chamber of Commerce ("ICC") ADR Rules (or successor rules). If the dispute has not been settled pursuant to the said Rules within 45 days following the filing of a Request for ADR or within such other period as the parties may agree in writing, such dispute shall be finally settled by arbitration under the then-applicable Rules of Arbitration of the ICC (or successor rules), by a proceeding conducted in London, England, United Kingdom, in the English language, by a single arbitrator appointed in accordance with the said Rules of Arbitration. The arbitrator may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator shall be final, conclusive, and binding on the parties to the arbitration. Judgment may be entered on the arbitrator's decision in any court having jurisdiction, and the parties irrevocably consent to the jurisdiction of the courts of the State of New York and of any federal court located in such State for this purpose. In any such arbitration, the parties waive personal service of any process or other papers and agree that service thereof may be made in accordance with Section 15.07. Each party shall pay one-half of the costs and expenses of such arbitration, and each shall separately pay its own attorneys' fees and expenses. Notwithstanding the foregoing, either party may apply to any court of the State of New York or any federal court located in such State for injunctive relief to maintain the status quo until the arbitration award is rendered or the controversy is otherwise resolved, and each party hereby consents to the exclusive jurisdiction and venue of such courts for such purpose.

Section 15.10                    INJUNCTIONS. Each party agrees that any actual, apprehended or threatened disclosure of any portion of the Confidential Information of the other to any third party will actually, materially and irreparably damage the disclosing party, in an amount and a manner that is not capable of remedy by the payment of damages alone, and each party shall have the right to obtain injunctions, both permanent and preliminary or temporary restraining orders, either on notice or ex parte, without the need to post bond, against continuing any such violation or commencing any threatened violation.

Section 15.11                    WAIVER. Any waiver by any party of a breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Agreement. The failure of a party to insist upon strict adherence to any term of this Agreement on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. Any waiver must be in writing.

Section 15.12                    COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 15.13                    HEADINGS. The headings in this Agreement are solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

*IN WITNESS WHEREOF*, the parties hereto have duly executed this Agreement as of the date first above set forth.

**COPYTELE, INC.**

**VIDEOCON INDUSTRIES LTD.**

By: /s/ Denis A. Krusos

Denis A. Krusos  
Chairman & CEO

By: /s/ Venugopal N. Dhoot

Venugopal N. Dhoot  
Chairman & Managing Director

EXHIBIT A

DEFINITION OF MODULES

CONFIDENTIAL

“Modules” means modules for thin flat Low Voltage Phosphor displays, each containing \*\*\* , (b) the attached associated driver circuits, and (c) controller circuits. CopyTele and Videocon may mutually agree in writing, from time to time, on other types of Modules.

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\* Confidential portions have been omitted and filed separately with the Commission).

EXHIBIT B  
PATENT RIGHTS  
CONFIDENTIAL

<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Filing Date</u>	<u>Application No.</u>
<u>Domestic Partners</u>				
1. Thin Film Planar Edge Emitter Field Emission Flat Panel Display (54)*	6,590,320	July 8, 2003	Feb. 23, 2000	09/511,437
2. Field Emission Display Based on Lateral Electron Reflections (60B)	6,614,149	Sept. 2, 2003	Mar. 20, 2002	10/102,467
3. Field Emission Matrix Display Based on Electron Reflections (60A)	6,674,242	Jan. 6, 2004	Mar. 20, 2002	10/102,450
4. Reflective Edge Field Transmission Pixel and Associated Display (70)	6,693,386	Feb. 17, 2004	Sept. 20, 2002	10/243,894
5. Hybrid Active Matrix Thin Film Transistor Display (73)			Feb. 19, 2004	10/782,580
6. Hybrid Active Matrix Thin Film Transistor Display (74)			Oct. 27, 2004	10/974,311
7. Edge Emission Electron Source and TFT Pixel Selection (76)			Aug. 4, 2005	11/499,841
8. ***			***	***
9. Flat Panel Display Incorporating Control Frame (79)			Mar. 17, 2006	11/378,105
10. Low Voltage Phosphor with Film Electrons Emitters Display Device (81)			May 4, 2006	11/417,631

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\* Confidential portions have been omitted and filed separately with the Commission).

<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Filing Date</u>	<u>Application No.</u>
<b><u>Domestic Patents</u></b>				
11. Pixel Structure for an Edge-Emitter Field-Emission Display (63)	7,129,626	Oct. 31, 2006	Mar. 20, 2002	10/102,472
11A. Pixel Structure for an Edge-Emitter Field-Emission Display (63A-CON))			Oct. 30, 2006	11/589,630
12. ***			***	***
13. Apparatus and Method for Evacuating a Field Emission Display (83)			Feb. 08, 2007	11/704,173
14. Rapid Sealing Method FED (84)			Feb. 08, 2007	11/704,170
15. Flat Panel Display having a Control Frame Pedestal and Method of Making Same (85)			Mar. 16, 2007	11/724,793
<b><u>International Patents</u></b>				
16. Flat Panel Display Incorporating Control Frame (79A)			July 11, 2006	PCT/US2006/026761
17. Flat Panel Display Incorporating a Control Frame (78A)			August 4, 2006	PCT/US2006/026760
18. Edge Emission Electron Source and TFT Pixel Selection (76A)			August 4, 2006	PCT/US2006/030937

EXHIBIT C

**ENTITIES PERMITTED UNDER SECTION 2.01**

**CONFIDENTIAL**

- \*\*\*
- **Volga Svet Ltd. of Saratov, Russia**

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\* Confidential portions have been omitted and filed separately with the Commission).



EXHIBIT D  
**TARGET JOINT DEVELOPMENT PROGRAM**  
CONFIDENTIAL

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\* Confidential portions have been omitted and filed separately with the Commission).

EXHIBIT E

FEES

CONFIDENTIAL

- (1) **Technology Transfer Fee.** Videocon shall pay CopyTele a non-refundable, non-creditable Technology Transfer Fee of US \$11,000,000.00, as follows:
- a. US \$2,000,000, 15 days after the Effective Date.
  - b. US \$1,500,000, nine (9) months after the Effective Date.
  - c. US \$2,500,000, eighteen (18) months after the Effective Date.
  - d. US \$5,000,000, twenty-seven (27) after the Effective Date.
- (2) **Percentage Royalty.** Videocon shall pay CopyTele a royalty of (a) Six percent (the "Percentage Royalty Rate") of the Ex-Factory Price of all Products sold by Videocon or any Sublicensee to any party up until the first US \$5,000,000 in sales (at the Ex-Factory Price); in aggregate by Videocon and Sublicensees taken together, and (b) with respect to all sales of Products sold by Videocon or any Sublicensee to any party in excess of US \$5,000,000 (at the Ex-Factory Price), (i) three percent of the Ex-Factory Price with respect to sales made on or prior to the seventh anniversary of the Effective Date and (ii) one percent of the Ex-Factory Price with respect to sales made after the seventh anniversary of the Effective Date, unless there shall have been significant improvements in the CopyTele Technology which, under then-market conditions, shall justify a higher royalty rate (in which case, the parties shall negotiate in good faith such higher royalty rate). The CopyTele Technology indicated in \*\*\* in Exhibit D, if successfully implemented, is agreed between the parties to be significant improvements in the \*\*\* CopyTele Technology for the purposes of this paragraph.

If any amounts are received by Videocon or any Sublicensee in a currency other than U.S. dollars, for purposes of calculating the royalty amount, conversion shall be made at the exchange rate published in the Wall Street Journal on the last day of the calendar month in which such foreign currency amounts are received.

(3) **Definition of "Ex-Factory Price".**

"Ex-factory Price" means the selling price of the products/goods less any costs incidental to the delivery of the goods to the customer. The delivery costs would include all costs incurred subsequent to the point at which Videocon (or the Sublicensee, as the case may be) relinquishes ownership of the products/goods to the purchaser.

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\* Confidential portions have been omitted and filed separately with the Commission).

EXHIBIT F

APPROVAL

NO.: 27 (2008) / 7 (2008) / PAB-IL

Government of India

Ministry of Commerce & Industry

Department of Industrial Policy & Promotion

Secretariat For Industrial Assistance

(PAB – IL SECTION)

New Delhi, the April 07, 2008.

To

M/s. VIDEOCON INDUSTRIES LIMITED,  
14 KM STONE, AURANGABAD – PAITHAN ROAD,  
VILLAGE CHITEGAON TALUKA – PAITHAN,  
AURANGABAD – 431005  
MAHARASHTRA

SUBJECT: Application for foreign collaboration (SIA Regn.

No. FTC. 7/2008 dated 30/01/2008)

Dear Sir,

I am directed to refer to the above mentioned application and to convey approval of the Government of India to your proposal, subject to the following terms and conditions:

1. Name and address of foreign collaborator: M/s CopyTele Inc.  
900 Walt Whitman Road,  
Melville, New York 11747  
U.S.A.
2. Item(s) of manufacture/activity cover by the foreign collaboration:  
  
Development, manufacture & sale of (a) nanotube devices for use in displays and (b) modules for thin flat low voltage Phosphor displays – each containing a display \*\*\*, driver circuits & controller circuits, for commercial applications in television, etc.
3. Proposed Location: 14 KM Stone, Aurangabad – Paithan Road,  
Village Chittegaon, Taluka Paithan  
District: AURANGABAD - 431005  
State: MAHARASHTRA

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\* Confidential portions have been omitted and filed separately with the Commission).

4. Payments authorised herein under:

(A). Royalty payable both on Domestic sales and Exports, net of taxes, in the following manner:

- (a) @ 6% (Six Percent) of the Ex-factory sales price of all products sold by Videocon or any sub-licensee to any party up to first US \$5,000,000 /- (Five Million) in sales volume; and
- (b) With respect to all sales of products exceeding beyond US \$5 (Five) Million, the royalty rate shall be:
  - (i) @ 3% (Three Percent) of ex-factory sales price with respect to sales made on or prior to the 7<sup>th</sup> (Seventh) anniversary of the Effective Date; and
  - (ii) @ 1% (One Percent) of ex-factory sales price with respect to sales made after the 7<sup>th</sup> (Seventh) anniversary of the Effective Date.

(B). Lumpsum Payments:

Technical Know-how/License Fees:

US \$11 (Eleven) Million, payable net of taxes in 4 (Four) installments, in the following manner:-

- (i) US \$2 (Two) million within 15 (Fifteen) days after the Effective Date;
- (ii) US \$1,500,000/- (One Million Five Hundred Thousand) within 9 (Nine) months after the Effective Date;
- (iii) US \$2,500,000 (Two Million Five Hundred Thousand) within 18 (Eighteen) months after the Effective Date; and
- (iv) US \$5 (Five) million within 27 (Twenty Seven) months after the Effective Date;

The above Royalty and Lumpsum payments shall be net of taxes. The tax liability, if any, shall be borne by the Indian company.

5. Duration of the agreement: Duration of the Technical Collaboration Agreement shall be for a period of 10 (Ten) years from the Effective Date OR 7 (Seven) years from the date of commencement of commercial production, whichever is earlier.

6. The approval is subject to the condition that the Foreign Collaborator have had or have no previous financial/technical collaboration or trademark agreement in India in the same field for which the approval is being granted. If this is not so, you shall not take steps to implement the project but submit the details to PAB-IL/Government in terms of Press Note No. 1 (2005 Series) dated 12<sup>th</sup> January, 2005 and subsequent clarification vide Press Note No. 3 (2005 series) dated 15<sup>th</sup> March, 2005, for prior approval.

[This condition will not be applicable, if it is not attracted].

7. The approval is further subject to the condition that this new venture would not in any way adversely affect the interest of the existing technology or trademark arrangement (as may be applicable).

8. Calculation of Royalty:
- (i) The royalty shall be payable in accordance with the provisions of Foreign Exchange Control Manual of RBI and other subsisting instructions of Government/Reserve Bank of India.
  - (ii) The payment of Royalty will be restricted to the licensed capacity plus 25% in excess thereof for such items requiring industrial license. In case of production in excess of the quantum, prior approval of Government will have to be obtained regarding the terms of payment of royalty in respect of such production.
  - (iii) The royalty would not be payable beyond the period of the agreement, if the orders had not been executed during the period of agreement. However, where the order has been booked during the period of agreement, but executed after the period of agreement, royalty would be payable only after the Chartered Accountant Certifies that the orders in fact have been firmly booked and execution began during the period of agreement and the technical assistance was available on a continuing basis even after the period of agreement.
9. The lumpsum shall be paid in Installments as mentioned in Para – 4(b) above.
10. In case the proposed activity is not exempted from the provisions of Industrial (Development & Regulation) Act, 1951 and the Foreign Exchange Management Act, 1999 it will be your responsibility to obtain such clearances as may be required under the said Acts.
11. The location of the industrial projects, will be subject to Central or State Environmental laws or regulations including local zoning and land use laws and regulations.
12. Adequate steps shall be taken on the satisfaction of the Government to prevent air, water and soil pollution. Such anti-pollution measures to be installed should conform to the effluent and emission standards prescribe by the State Government in which the factory or the industrial undertaking is located.
13. You shall not manufacture items reserved for the Small Scale Sector without prior approval of the Government as per the prescribed policy and procedure.
14. Import of technical drawings, capital equipments, components and raw materials shall have to necessarily conform to the import policy and procedure.
15. This approval letter is made a part of the foreign collaboration agreement to be executed between you and the foreign collaborator and only those provisions of the agreement which are covered by this letter or which are not in variance with the provisions of this letter shall be binding on the Government of India or Reserve Bank of India.
16. The approval is valid for a period of two years from the date of issue. Within this period, you are required to file the collaboration agreement with the Authorised Foreign Exchange Dealer.
17. All remittances to the foreign collaborator shall be made as per the exchange rates prevailing on the day of remittance.
18. The agreement shall be subject to Indian Laws.
19. You may now proceed to finalise the agreement.

20. The Administration Ministry for this Project is the Department of Information Technology (T&IPD) to whom a copy of this letter of approval is being forwarded.

21. A copy of the collaboration agreement, signed by both parties may be furnished to the following authorities:

- (A). Concerned Administrative Ministry/Department as mentioned above.
- (B). Secretariat for Industrial Assistance (PAB-IL SECTION), Department of Industrial Policy & Promotion, Udyog Bhavan, New Delhi – 110011.
- (C). Department of Scientific and Industrial Research, Technology, New Mehrauli Road, New Delhi – 110016.

22. You are required to confirm acceptance of the above terms and conditions to the Secretariat for Industrial Assistance (PAB-IL Section).

23. All future correspondence for amendment/changes in terms and conditions of the approval letter or for extension of validity, etc., if required, may be addressed to the Entrepreneurial Assistance Unit of the Secretariat for Industrial Assistance, Department of Industrial Policy & Promotion, Udyog Bhavan, New Delhi – 110011. \*\*\*

Yours faithfully

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**CERTIFICATION**

I, Denis A. Krusos, certify that:

1. I have reviewed this Amendment No. 2 to the Annual Report on Form 10-K of CopyTele, Inc.;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
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5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Denis A. Krusos

Denis A. Krusos

Chairman of the Board and

June 29, 2010

Chief Executive Officer

**CERTIFICATION**

I, Henry P. Herms, certify that:

1. I have reviewed this Amendment No. 2 to the Annual Report on Form 10-K of CopyTele, Inc;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
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5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Henry P. Herms

Henry P. Herms  
Vice President - Finance and  
Chief Financial Officer

June 29, 2010



Statement of Chief Executive Officer  
Pursuant to Section 1350 of Title 18 of the United States Code

Pursuant to Section 1350 of Title 18 of the United States Code, the undersigned, Denis A. Krusos, the Chairman of the Board and Chief Executive Officer of CopyTele, Inc., hereby certifies that:

1. The Form 10-K/A (Amendment No. 2) to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2009 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Denis A. Krusos

Denis A. Krusos  
Chairman of the Board and

June 29, 2010

Chief Executive Officer

Statement of Chief Financial Officer  
Pursuant to Section 1350 of Title 18 of the United States Code

Pursuant to Section 1350 of Title 18 of the United States Code, the undersigned, Henry P. Herms, the Vice President - Finance and Chief Financial Officer of CopyTele, Inc., hereby certifies that:

1. The Form 10-K/A (Amendment No. 2) to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2009 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Henry P. Herms

Henry P. Herms

Vice President - Finance and



June 29, 2010

Chief Financial Officer