

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended January 31, 2008

Commission file number 0-11254

COPYTELE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

11-2622630

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

900 Walt Whitman Road
Melville, NY

11747

(Address of principal executive offices)

(Zip Code)

(631) 549-5900

(Registrant's telephone number, including area code)

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

Yes X No
--- ---

Indicate 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 [X]
Non-accelerated filer [] Smaller Reporting Company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X
--- ---

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

On March 5, 2008, the registrant had outstanding 128,721,136 shares of Common Stock, par value \$.01 per share, which is the registrant's only class of common stock.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

COPYTELE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

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	<C>	<C>
	(Unaudited)	
	January 31, 2008	October 31, 2007*
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 793,644	\$ 669,141
Short-term investments	441,000	400,000
Accounts receivable, net of allowance for doubtful accounts of \$60,000 and \$-0-, respectively	60,000	120,000
Inventories	225,112	191,923
Prepaid expenses and other current assets	33,397	34,555
Total current assets	1,553,153	1,415,619
INVESTMENT in Videocon Industries Limited global depository receipts, at fair value	17,271,026	-
INVESTMENT in Digital Info Security Co. Inc. common stock, at cost	417,000	417,000
LOAN RECEIVABLE	5,000,000	-
PROPERTY AND EQUIPMENT, net	30,539	26,653
OTHER ASSETS	10,887	10,887
	\$ 24,282,605	\$ 1,870,159
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 403,285	\$ 347,141
Accrued liabilities	183,551	331,668
Total current liabilities	586,836	678,809
LOAN PAYABLE	5,000,000	-
SHAREHOLDERS' EQUITY:		
Preferred stock, par value \$100 per share; 500,000 shares authorized; no shares issued or outstanding	-	-
Common stock, par value \$.01 per share; 240,000,000 shares authorized; 128,580,416 and 106,911,315 shares issued and outstanding, respectively	1,285,804	1,069,113
Additional paid-in capital	104,991,001	86,088,974
Accumulated deficit	(88,652,062)	(85,966,737)
Accumulated other comprehensive income	1,071,026	-
	18,695,769	1,191,350
	\$ 24,282,605	\$ 1,870,159

</TABLE>

* Derived from audited balance sheet included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2007. The accompanying notes are an integral part of these condensed balance sheets.

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COPYTELE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	<C> <C> For the Three Months Ended January 31,	
	2008	2007
NET SALES		
Sales of encryption products, net	\$ 52,225	\$ 70,750
Sales of encryption services, net	-	60,000
	52,225	130,750
COST OF SALES		
Cost of encryption products sold	12,898	20,291
Cost of encryption services sold	-	20,905
	12,898	41,196
Gross profit	39,327	89,554
OPERATING EXPENSES		
Research and development expenses	1,312,702	1,002,931
Selling, general and administrative expenses	1,419,157	869,711
Total operating expenses	2,731,859	1,872,642
LOSS FROM OPERATIONS	(2,692,532)	(1,783,088)
INTEREST INCOME	7,207	9,654
NET LOSS	\$ (2,685,325)	\$ (1,773,434)
PER SHARE INFORMATION:		
Net loss per share:		
Basic and Diluted	\$ (0.02)	\$ (0.02)
Shares used in computing net loss per share:		
Basic and Diluted	126,739,111	100,913,968

The accompanying notes are an integral part of these condensed statements.

</TABLE>

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COPYTELE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	<C> <C> For the Three Months Ended January 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments to suppliers, employees and consultants	\$ (894,346)	\$ (883,663)
Cash received from customers	52,225	72,165
Interest received	7,207	9,654

Net cash used in operating activities	(834,914)	(801,884)
<hr/>		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disbursements to acquire Videocon Industries Limited global depository receipts	(16,200,000)	-
Disbursement to acquire loan receivable	(5,000,000)	-
Proceeds from maturities of short-term investments (certificates of deposit)	400,000	38,000
Disbursements to acquire short-term investments (certificates of deposit)	(441,000)	(425,000)
Payments for purchases of property and equipment	(6,188)	(2,364)
<hr/>		
Net cash used in investing activities	(21,247,188)	(389,364)
<hr/>		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock to Videocon Industries Limited	16,200,000	-
Proceeds from issuance of loan payable	5,000,000	-
Proceeds from exercise of stock options	1,006,605	737,599
<hr/>		
Net cash provided by financing activities	22,206,605	737,599
<hr/>		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	124,503	(453,649)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	669,141	1,281,660
<hr/>		
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 793,644	\$ 828,011
<hr/>		
RECONCILIATION OF NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Net loss	\$ (2,685,325)	\$ (1,773,434)
Stock option compensation to employees	1,088,373	708,204
Stock option compensation to consultants	206,976	-
Stock awards granted to employees pursuant to stock incentive plans	556,611	421,284
Stock awards granted to consultants pursuant to stock incentive plans	60,153	94,943
Provision for doubtful accounts	60,000	-
Recovery of slow-moving inventory reserve	(1,634)	-
Depreciation and amortization	2,302	3,094
Change in operating assets and liabilities:		
Accounts receivable	-	(58,585)
Inventories	(31,555)	17,631
Prepaid expenses and other current assets	1,158	(349)
Other assets	-	-
Accounts payable and accrued liabilities	(91,973)	(214,672)
<hr/>		
Net cash used in operating activities	\$ (834,914)	\$ (801,884)
<hr/>		

The accompanying notes are an integral part of these condensed statements.

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COPYTELE, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. BUSINESS AND FUNDING

Description of Business and Basis of Presentation

Our principal operations are the development, production and marketing of thin, flat low-voltage phosphor 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.

The condensed consolidated financial statements are unaudited, and have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial reporting, and with the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by US GAAP for complete financial statements. The information contained herein is for the three-month periods ended January 31, 2008 and 2007. In management's opinion, all adjustments (consisting only of normal recurring adjustments considered necessary for a fair presentation of the results of operations for such periods) have been included herein. Certain prior year amounts have been reclassified to conform with current year presentation.

The condensed consolidated financial statements include the accounts of CopyTele, Inc. and its wholly owned subsidiaries, CopyTele International Ltd. ("CopyTele International") and CopyTele Marketing Inc. ("CopyTele Marketing"). CopyTele International and CopyTele Marketing were incorporated in the British Virgin Islands on July 12, 2007 and September 5, 2007, respectively. CopyTele International was formed for the purpose of holding an investment in global depository receipts of Videocon Industries Limited, an Indian company ("Videocon"). As of January 31, 2008, CopyTele Marketing was inactive. All significant intercompany transactions have been eliminated in consolidation.

The results of operations for interim periods presented are not necessarily indicative of the results that may be expected for a full year or any interim period. Reference is made to the audited financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2007, for more extensive disclosures than contained in these condensed financial statements.

Technology License Agreement with Videocon Industries Limited

On November 2, 2007, we entered into a Technology License Agreement (the "License Agreement") with 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 License Agreement, we will receive a license fee of \$11 million from Videocon, payable in installments over a 27 month period, with the first installment of \$2 million payable 15 days after the License Agreement is effective. The License Agreement will be effective after Videocon has obtained the necessary regulatory approvals in India for the payment of the license fees and royalties and may be terminated if the required approvals are not obtained in a reasonable period of time. We will also receive an agreed upon royalty from Videocon based on display sales by Videocon.

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We will continue to have the right to produce and market, and to utilize Volga Svet Ltd., a Russian display company that we have been working with for more than ten years, and an Asian company that we have been working with for more than four years, to produce and market, products utilizing the Licensed Technology. Additional licenses of the Licensed Technology to third parties require our joint agreement with Videocon.

On November 2, 2007, we also entered into a Share Subscription Agreement (the "Subscription Agreement") with Mars Overseas Limited, an affiliate of Videocon ("Mars Overseas"). Under the Subscription Agreement, Mars Overseas agreed to purchase from us 20,000,000 shares of our common stock (the "CopyTele Shares") for an aggregate purchase price of \$16,200,000. The purchase of the CopyTele Shares pursuant to the Subscription Agreement closed on November 6, 2007.

Also on November 2, 2007, our wholly-owned British Virgin Islands subsidiary, CopyTele International, entered into a GDR Purchase Agreement (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") for an aggregate purchase price of \$16,200,000. Videocon's global depository receipts are listed on the Luxembourg Stock Exchange. The purchase of the Videocon GDRs pursuant to the Purchase Agreement closed on December 19, 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 have entered into two Loan and Pledge Agreements dated November 2, 2007. The Videocon GDRs are to be held as security for a loan in 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 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. Prepayment of each loan requires payment of a premium by the borrower and, in any event, the lien on the Securities securing the prepaid loan will not be released until the seventh anniversary of the closing of the loans and the prepaid amount would be held in escrow until such date. The loan agreements required the parties to enter into an escrow agreement under which the parties deposited the Securities with an escrow agent for the term of the loans. The loan agreements also provide for customary events of default which may result in forfeiture of the Securities by the defaulting party. The loan and escrow agreements also provide for the transfer to the respective parties, free and clear of any encumbrances under the agreements, any dividends, distributions, rights or other proceeds or benefits received by the escrow agent in respect of the Securities. The closing of the loans took place on December 19, 2007.

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Investment in Videocon

Although the Videocon GDRs are held as security for the loan payable to Mars Overseas and prepayment of the loan will not release the Videocon GDRs securing the loan until the seventh anniversary of the closing of the loan, our investment in Videocon is classified as an "available-for-sale security" and reported at fair value, with unrealized gains and losses excluded from operations and reported as a component of accumulated other comprehensive income, net of the related tax effects, in shareholders' equity. Cost is determined using the specific identification method. The fair value of the Videocon GDRs 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 cost, unrealized gain and fair value of our investment in Videocon as of January 31, 2008 are as follows:

	January 31, 2008

Cost	\$16,200,000
Unrealized gain	1,071,026

Fair value	17,271,026

Funding and Management's Plans

From 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 public offering, and upon the exercise of stock options. In 2001 and 2002, we also received payments under a technology development agreement. In addition, commencing in the fourth quarter of fiscal 1999, we have generated cash flows from sales of our encryption products and in fiscal 2008 we expect to commence receiving license fees from Videocon after Videocon has obtained the necessary regulatory approvals in India for such payments.

During the three months ended January 31, 2008, our cash used in operating activities was approximately \$835,000. This resulted from payments to suppliers, employees and consultants of approximately \$894,000, which was offset by cash of approximately \$52,000 received from collections of accounts receivable related to sales of encryption products, and approximately \$7,000 of interest income received. Our cash used in investing activities during the three months ended January 31, 2008 was approximately \$21,247,000, which resulted from a disbursement of \$16,200,000 for the purchase of Videocon GDRs, a disbursement \$5,000,000 to issue a loan to Mars Overseas, purchases of short-term investments consisting of certificates of deposit of \$441,000 and purchases of approximately \$6,000 of equipment, offset by \$400,000 received upon maturities of short-term investments consisting of certificates of deposit. Our cash provided by financing activities during the three months ended January 31, 2008 was approximately \$22,207,000, which resulted from the sale of our common stock to Videocon for \$16,200,000, the proceeds received of \$5,000,000 upon obtaining a loan from Mars Overseas and cash received upon the exercise of stock options of approximately \$1,007,000. Accordingly, during the three months ended January 31, 2008, our cash and cash equivalents increased by approximately \$125,000 and our short-term investments increased by \$41,000. As a result, our cash, cash equivalents, and short-term investments, at January 31, 2008 increased to approximately \$1,235,000 from approximately \$1,069,000 at the end of fiscal 2007.

We believe that our existing cash, cash equivalents, short-term investments 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, including license fees we expect to receive from Videocon once Videocon has obtained the necessary regulatory approvals in India for such payments, and other potential sources of cash flows, will be sufficient to enable us to continue in operation until at least the end of the first quarter of fiscal 2009. We anticipate that, thereafter, we will require additional funds to continue our marketing, production, and research and development activities, and we will require outside funding if cash generated from operations is insufficient to satisfy our liquidity requirements. However, our projections of future cash needs and cash flows may differ from actual results. It is management's intention to continue to compensate their employees by issuing stock or stock options. 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 prior to the first quarter of fiscal 2009. The sale of additional equity securities or convertible debt could result in dilution to our stockholders. We currently have no arrangements with respect to additional financing. There can be no assurance that we will generate sufficient revenues in the future (through sales or otherwise) to improve our liquidity or sustain future operations, that the necessary regulatory approvals in India for payments of license fees by Videocon to us will be obtained, 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 funds if needed, we would need to curtail or cease some or all of our operations.

2. STOCK-BASED COMPENSATION

We maintain stock equity incentive plans under which we may grant non-qualified stock options, incentive stock options, stock appreciation rights, stock awards, performance and performance-based awards, or stock units to employees, non-employee directors and consultants.

Stock Option Compensation Expense

We account for stock options granted to employees and directors using Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). We recognize compensation expense for stock option awards on a straight-line basis over the requisite service period of the grant. We recorded approximately \$1,088,000 and \$708,000 of stock-based compensation expense, related to stock options granted to employees and non-employee directors, during the three-month periods ended January 31, 2008 and 2007, respectively, in accordance with SFAS 123R. Such compensation expense is included in the accompanying condensed consolidated statements of operations in either research and development expenses or selling, general and administrative expenses, as applicable based on the functions performed by such employees and directors. Such stock-based compensation expense increased both basic and diluted net loss per share for the three-month periods ended January 31, 2008 and 2007 by \$0.01 and \$0.01, respectively.

Included in the stock-based compensation cost related to stock options granted to employees and directors recorded during the three-month periods ended January 31, 2008 and 2007 was approximately \$-0- and \$6,000, respectively, of expense related to the amortization of compensation cost for stock options granted prior to, but not yet vested as of, the end of the prior fiscal year. As of January 31, 2008, there was approximately \$873,000 of unrecognized compensation cost related to non-vested share-based compensation arrangements. Approximately \$700,000 of this unrecognized cost is expected to be amortized over the remaining portion of the current fiscal year and approximately \$121,000, \$51,000, and \$1,000 of this unrecognized cost is expected to be amortized during fiscal 2009, 2010 and 2011, respectively.

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We also account for stock options granted to consultants using SFAS 123R. We recognized consulting expense for options granted to non-employee consultants, during the three-month periods ended January 31, 2008 and 2007, of approximately \$207,000 and \$-0-, respectively. As of January 31, 2008, there was approximately \$23,000 of unrecognized consulting expense related to non-vested share-based compensation arrangements. Approximately \$10,000 of this unrecognized consulting expense is expected to be amortized over the remaining portion of the current fiscal year and approximately \$13,000 is expected to be amortized during fiscal 2009. Such consulting expense is included in the accompanying condensed consolidated statements of operations in either research and development expenses or selling, general and administrative expenses, as applicable based on the functions performed by such consultants.

Fair Value Determination

In accordance with SFAS No. 123R, we estimate the fair value of stock options granted to employees, non-employee directors and consultants on the date of grant using the Black-Scholes pricing model. We separate the individuals we grant stock options into three relatively homogenous groups, based on exercise and post-vesting employment termination behaviors. To determine the weighted average fair value of stock options on the date of grant, we take a weighted average of the assumptions used for each of these groups. Stock options we granted during the three-month period ended January 31, 2008 consisted of awards of options with 10-year terms which vested either immediately or over future periods of from three months to three years. All of the stock options we granted during the three-month period ended January 31, 2007 consisted of awards of options with 10-year terms which vested immediately.

We estimated the fair value of stock option awards using the following assumptions:

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	<C> For the Three Months Ended January 31,	<C>
	2008	2007
Expected term (in years)	4.4	3.8
Volatility	93%	98%
Risk-free interest rate	3.91%	4.62%
Dividend yield	0	0
Weighted average fair value at grant date	\$ 0.70	\$ 0.40

</TABLE>

The expected term of stock options represents the weighted average

period the stock options are expected to remain outstanding. Because we consider our options to be "plain vanilla", we estimated the expected term using a modified version of the simplified method of calculation, as prescribed by Staff Accounting Bulletin No. 107, "Share-Based Payment" ("SAB 107"). This modified calculation uses the actual life for options that have been settled, and a uniform distribution assumption for the options still outstanding. Under SAB 107, options are considered to be "plain vanilla" if they have the following basic characteristics: granted "at-the-money"; exercisability is conditioned upon service through the vesting date; termination of service prior to vesting results in forfeiture; limited exercise period following termination of service; and options are non-transferable and non-hedgeable. In December 2007, the Securities and Exchange Commission ("SEC") staff issued Staff Accounting Bulletin No. 110, "Share-Based Payment" ("SAB 110"). SAB 110 permits the use of the simplified method in SAB 107 for employee option grants after December 31, 2007 for companies whose historical data about their employees' exercise behavior does not provide a reasonable basis for estimating the expected term of the options. We have adopted SAB 110 and continued to use the simplified method to estimate the expected term for options granted after December 2007, as adequate historical experience is not available to provide a reasonable estimate. We intend to continue applying the simplified method until enough historical experience is readily available to provide a reasonable estimate of the expected term for employee option grants.

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We estimated the expected volatility of our shares of common stock based upon the historical volatility of our share price over a period of time equal to the expected life of the options.

We estimated the risk-free interest rate based on the implied yield available on the applicable grant date of a U.S. Treasury note with a term equal to the expected term of the underlying grants.

We made the dividend yield assumption based on our history of not paying dividends and our expectation not to pay dividends in the future.

Under SFAS No. 123R, the amount of stock-based compensation expense recognized is based on the portion of the awards that are ultimately expected to vest. Accordingly, we reduce the fair value of the stock option awards for expected forfeitures, which are forfeitures of the unvested portion of surrendered options. We estimate expected forfeitures based on our historical experience.

We will reconsider use of the Black-Scholes pricing model if additional information becomes available in the future that indicates another model would be more appropriate, or if grants issued in future periods have characteristics that cannot be reasonably estimated using this model.

Stock Option Activity

During the three-month periods ended January 31, 2008 and 2007, we granted options to purchase 3,125,000 shares and 1,775,000 shares, respectively, to employees, non-employee directors and consultants of common stock at weighted average exercise prices of \$1.03 and \$.61 per share, respectively, pursuant to the CopyTele, Inc. 2003 Share Incentive Plan (the "2003 Share Plan"). During the three-month periods ended January 31, 2008 and 2007, stock options to purchase 1,174,200 shares and 1,612,230 shares, respectively, of common stock were exercised with aggregate proceeds of approximately \$1,007,000 and \$738,000, respectively.

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Stock Option Plans

As of January 31, 2008, we have three stock option plans: the CopyTele, Inc. 1993 Stock Option Plan (the "1993 Plan"), the CopyTele, Inc. 2000 Share Incentive Plan (the "2000 Share Plan") and the 2003 Share Plan, which were adopted by our Board of Directors on April 28, 1993, May 8, 2000 and April 21, 2003, respectively.

On July 14, 1993, our shareholders approved the 1993 Plan. The 1993 Plan was amended as of May 3, 1995 and May 10, 1996 to, among other things, increase the number of shares available for issuance thereunder from 6,000,000 shares to 20,000,000 shares, after giving consideration to stock splits. The 1993 Plan provided for the granting of incentive stock options and stock appreciation rights to key employees, and non-qualified stock options and stock appreciation rights to key employees and consultants of the Company.

The 1993 Plan was administered by the Stock Option Committee, which determined the option price, term and provisions of each option. However, the purchase price of shares issuable upon the exercise of incentive stock options could not be less than the fair market value of such shares at the date of grant and incentive stock options are not exercisable for more than 10 years. Upon approval of the 2000 Share Plan by our shareholders in July 2000, the 1993 Plan was terminated with respect to the grant of future options. Since June 2004, the 1993 Plan has been administered by the Board of Directors.

Information regarding the 1993 Plan for the three months ended January 31, 2008 is as follows:

<TABLE>
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	<C>	<C>	<C>	<C>
	Shares	Current Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value	
Shares Under Option at October 31, 2007	2,614,000	\$ 2.33		
Expired	(975,000)	\$ 3.38		
Exercised	(5,000)	\$ 1.31		
Shares Under Option and Exercisable at January 31, 2008	1,634,000	\$ 1.72	\$	117,765

</TABLE>

The following table summarizes information about stock options outstanding under the 1993 Plan as of January 31, 2008:

<TABLE>
<CAPTION>

<S>	<C>	Options Outstanding			Options Exercisable		
		Number Outstanding	Weighted Average Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Contractual Life	Weighted Average Exercise Price
	Range of Exercise Prices						
	\$0.84 to \$1.56	779,000	1.78	\$1.10	779,000	1.78	\$1.10
	\$2.28	855,000	0.45	\$2.28	855,000	0.45	\$2.28

</TABLE>

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The exercise price with respect to all of the options granted under the 1993 Plan, since its inception, was equal to the fair market value of the underlying common stock at the grant date.

On July 25, 2000, our shareholders approved the 2000 Share Plan. The maximum number of shares of common stock that may be granted was 5,000,000 shares. On July 6, 2001 and July 16, 2002, the 2000 Share Plan was amended by our Board of Directors to increase the maximum number of shares of common stock that may be granted to 10,000,000 shares and 15,000,000 shares, respectively. These amendments were approved by our shareholders on August 16, 2001 and September 12, 2002, respectively. The 2000 Share Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, stock awards, performance awards and stock units to key employees and consultants of the Company.

The 2000 Share 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 each option; however, the purchase price of shares issuable upon the exercise of incentive stock options will not be less than the fair market value of such shares at the date of grant and incentive stock options will not be exercisable for more than 10 years.

Information regarding the 2000 Share Plan for the three months ended January 31, 2008 is as follows:

<TABLE>
<CAPTION>

<S>	<C>	<C>	<C>	<C>
	Shares	Current Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value	
Shares Under Option at October 31, 2007	2,182,466	\$ 0.82		
Exercised	(410,000)	\$ 0.95		
Shares Under Option and Exercisable at January 31, 2008	1,772,466	\$ 0.79	\$	712,256

</TABLE>

The following table summarizes information about stock options outstanding under the 2000 Share Plan as of January 31, 2008:

<TABLE>
<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>	<C>
		Options Outstanding		Options Exercisable		

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$0.40	445,000	3.64	\$0.40	445,000	3.64	\$0.40
\$0.69	505,466	2.92	\$0.69	505,466	2.92	\$0.69
\$0.94 - \$1.09	822,000	1.99	\$1.06	822,000	1.99	\$1.06

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The exercise price with respect to all of the options granted under the 2000 Share Plan since its inception was equal to the fair market value of the underlying common stock at the grant date. As of January 31, 2008, 21,508 shares were available for future grants under the 2000 Share Plan.

The 2003 Share Plan provides for the grant of nonqualified stock options, stock appreciation rights, stock awards, performance awards and stock units to key employees and consultants of the Company. The maximum number of shares of common stock available for issuance under the 2003 Share Plan initially was 15,000,000 shares. On October 8, 2004, February 9, 2006 and August 22, 2007, the 2003 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 and 55,000,000 shares, respectively. Current and future non-employee directors are automatically granted nonqualified 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 our shareholders at which they are elected to the Board of Directors. The 2003 Share 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 each option.

Information regarding the 2003 Share Plan for the three months ended January 31, 2008 is as follows:

	Shares	Current Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Shares Under Option at October 31, 2007	14,476,245	\$ 0.74	
Granted	3,125,000	\$ 1.03	
Exercised	(759,200)	\$ 0.81	
Shares Under Option at January 31, 2008	16,842,045	\$ 0.79	\$ 6,704,382
Options Exercisable at January 31, 2008	13,907,045	\$ 0.75	\$ 6,151,882

The following table summarizes information about stock options outstanding under the 2003 Share Plan as of January 31, 2008:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding at 1/31/08	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 1/31/08	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$0.25 - \$0.43	1,245,000	5.75	\$0.33	1,245,000	5.75	\$0.33
\$0.52 - \$0.77	5,450,970	7.41	\$0.63	5,450,970	7.41	\$0.63
\$0.81 - \$1.46	10,146,075	8.18	\$0.94	7,211,075	7.54	\$0.91

The exercise price with respect to all of the options granted under the 2003 Share Plan since its inception was equal to the fair market value of the underlying common stock at the grant date. As of January 31, 2008, 6,725,186 shares were available for future grants under the 2003 Share Plan.

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Stock Grants

We account for stock awards granted to employees and consultants based

on their grant date fair value. During the three-month periods ended January 31, 2008 and 2007, we issued 448,575 shares and 548,800 shares, respectively, of common stock to certain employees for services rendered, principally in lieu of cash compensation, pursuant to the 2003 Share Plan. We recorded compensation expense for the three-month periods ended January 31, 2008 and 2007 of approximately \$557,000 and \$421,000, respectively, for the shares of common stock issued to employees. In addition, during the three-month periods ended January 31, 2008 and 2007, we issued 46,326 shares and 134,020 shares, respectively, of common stock to consultants for services rendered pursuant to the 2003 Share Plan. We recorded consulting expense for the three-month periods ended January 31, 2008 and 2007 of approximately \$60,000 and \$95,000, respectively, for the shares of common stock issued to consultants.

3. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject us to concentrations of credit risk consist principally of accounts receivable from sales in the ordinary course of business. Management reviews our accounts receivable and other receivables for potential doubtful accounts and maintains an allowance for estimated uncollectible amounts. Generally, no collateral is received from customers for our accounts receivable. During the three months ended January 31, 2008, three customers in the Encryption Products and Services Segment represented 25%, 25% and 20%, respectively, of total net sales. During the three months ended January 31, 2007, two customers in the Encryption Products and Services Segment represented 46% and 38%, respectively, of total net sales. At January 31, 2008 and October 31, 2007, one customer in the Encryption Products and Services Segment represented 100% of accounts receivable.

4. SHORT-TERM INVESTMENTS

Short-term investments represent certificates of deposits, carried at amortized cost, with maturities of less than twelve months. The fair values of the certificates of deposits, including accrued interest, approximate their carrying value due to their short maturities.

5. INVESTMENT IN AND RELATED PARTY TRANSACTIONS WITH DIGITAL INFO SECURITY

CO. INC.

On February 13, 2006, we entered into a Software License and Distribution Agreement (the "DISC License Agreement") to license to Digital Info Security Co. Inc. ("DISC"), an encryption system that integrates our encryption technology into DISC's e-mail services. The system allows companies to encrypt all e-mail transactions in a manner transparent to the individual user. Concurrently with entering into the DISC License Agreement with DISC, we acquired a minority interest in DISC by exchanging 100,000 unregistered shares of our common stock for 5,000,000 shares of DISC's common stock. On May 17, 2006 and July 14, 2006, we purchased an additional 1,000,000 shares and 1,200,000 shares, respectively, of DISC's common stock for \$50,000 and \$60,000 in cash, respectively. On November 27, 2006, we acquired an additional 5,000,000 shares of DISC's common stock in exchange for 300,000 unregistered shares of our common stock. Accordingly, as of January 31, 2008, we held 12,200,000 shares of DISC's common stock, all of which were restricted securities. DISC's common stock is not registered under the Securities Exchange Act of 1934, but is quoted on the Pink Sheets. According to DISC's most recent public financial report, as of September 30, 2007 we held approximately 12% of the outstanding common stock of DISC. Our investment in DISC as of January 31, 2008, is recorded in the accompanying consolidated balance sheet at cost of \$417,000, based on the closing price of our common stock on the dates we acquired DISC common stock in exchange for our common stock, and the price paid for the shares purchased for cash.

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Net sales for the three months ended January 31, 2007 included billings to DISC for engineering services of \$60,000. We had no net sales relating to DISC for the three months ended January 31, 2008. Net accounts receivable at January 31, 2008 and October 31, 2007 include \$60,000 and \$120,000, respectively, from DISC.

6. INVENTORIES

Inventories consist of the following as of:

	January 31, 2008	October 31, 2007
Component parts	\$ 101,020	\$ 113,458
Work-in-process	57,360	26,597
Finished products	66,732	51,868
	-----	-----
	\$ 225,112	\$ 191,923
	=====	=====

7. NET LOSS PER SHARE OF COMMON STOCK

In accordance with SFAS No. 128, "Earnings Per Share" ("SFAS No. 128"), basic net loss per common share ("Basic EPS") is computed by dividing net loss by the weighted average number of common shares outstanding. Diluted net loss per common share ("Diluted EPS") is computed by dividing net loss by the weighted average number of common shares and dilutive common share equivalents and convertible securities then outstanding. Diluted EPS for all periods presented is the same as Basic EPS, as the inclusion of the effect of common stock equivalents then outstanding would be anti-dilutive. For this reason, excluded from the calculation of Diluted EPS for the three-month periods ended January 31, 2008 and 2007, were options to purchase 20,248,511 shares and 21,637,711 shares, respectively.

8. EFFECT OF RECENTLY ISSUED PRONOUNCEMENTS

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," an interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 clarifies the accounting for uncertainties in income taxes recognized in an enterprise's financial statements. The interpretation requires that the Company determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authority. If a tax position meets the more likely than not recognition criteria, FIN 48 requires the tax position be measured at the largest amount of benefit greater than 50 percent likely of being realized upon ultimate settlement. This accounting standard is effective for fiscal years beginning after December 15, 2006. We adopted FIN 48 on November 1, 2007. There were no unrecognized tax benefits as of the date of adoption of FIN 48 and its adoption did not have a material effect on our financial statements.

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In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies to other accounting pronouncements that require or permit fair value measurements. The provisions of SFAS 157 are effective for fiscal years beginning after November 15, 2007. We are currently evaluating the effect, if any, that the adoption of SFAS 157 will have on our financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 expands opportunities to use fair value measurement in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the effect, if any, that the adoption of SFAS 159 will have on our financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R"), which changes how an entity accounts for the acquisition of a business. When effective, SFAS 141R will replace existing SFAS No. 141, "Business Combinations" ("SFAS 141"), in its entirety. SFAS 141R carries forward the existing requirements to account for all business combinations using the acquisition method (formerly called the purchase method). In general, SFAS 141R will require acquisition-date fair value measurement of identifiable assets acquired, liabilities assumed, and noncontrolling interest in the acquired entity. SFAS 141R will eliminate the current cost-based purchase method under SFAS 141. SFAS 141R is effective for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2008. The adoption of SFAS 141R is not expected to have a material effect on our financial statements.

9. INCOME TAXES

We file Federal and New York State income tax returns. Due to net operating losses, the statute of limitations remains open since the fiscal year ended October 31, 1992. We account for interest and penalties related to income tax matters in selling, general and administrative expenses.

10. SEGMENT INFORMATION

We follow the provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"). Reportable operating segments are determined based on management's approach. The management approach, as defined by SFAS No. 131, is based on the way that the chief operating decision-maker organizes the segments within an enterprise for making operating decisions and assessing performance. While our results of operations are primarily reviewed on a consolidated basis, the chief operating decision-maker also manages the enterprise in two segments: (i) Flat-panel display and (ii) Encryption products and services. The following represents selected financial information for our segments for the three-month periods ended January 31, 2008 and 2007:

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<TABLE>

<CAPTION> <S>	<C>	<C>	<C>
Segment Data	Flat-Panel Display	Encryption Products and Services	Total
Three Months Ended January 31, 2008:			
Net sales	\$ -	\$ 52,225	\$ 52,225
Net loss	(1,496,273)	(1,189,052)	(2,685,325)
Three Months Ended January 31, 2007:			
Net sales	\$ -	\$ 130,750	\$ 130,750
Net loss	(934,341)	(839,093)	(1,773,434)

</TABLE>

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Item 2. Management's Discussion and Analysis of Financial Condition and Results

of Operations.

GENERAL

Our principal operations are the development, production and marketing of thin, flat, low-voltage phosphor 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 a 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.

On November 2, 2007, we entered into a Technology License Agreement (the "License Agreement") with Videocon Industries Limited, an Indian company ("Videocon"). Under the License Agreement, we licensed to Videocon our technology for thin, flat, low voltage phosphor displays, for Videocon (or a Videocon Group company) to produce and market products, including TVs, incorporating displays utilizing our technology. CopyTele and Videocon are jointly cooperating to implement our technology into production displays. Improvements to the technology will be jointly owned by CopyTele and Videocon, and the parties will jointly decide whether to pursue patents for any improvements. The license of our technology is non-transferable and worldwide. Under the License Agreement, Videocon will pay us a license fee of \$11 million, payable in installments over a 27 month period. The first installment of \$2 million will be paid after the License Agreement is effective. The License Agreement will be effective after Videocon has obtained the necessary regulatory approvals in India for the payment of the license fees and royalties. Videocon has filed for approval with the Indian government. Videocon will also pay us an agreed upon royalty based on display sales by Videocon.

We will continue to have the right to produce and market, and to utilize Volga Svet Ltd., a Russian display company that we have been working with for more than ten years ("Volga"), and an Asian company that CopyTele has been working with for more than four years, to produce and market, products utilizing our technology. Additional licenses of our technology to third parties require the joint agreement of CopyTele and Videocon.

In connection with the License Agreement, for the term of the license granted under the License Agreement, Videocon and CopyTele have each appointed one senior advisor to the other's board of directors to advise with respect to strategic planning and technology in the display field.

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At the same time as we entered into the License Agreement, we entered into a Share Subscription Agreement with an affiliate of Videocon ("Mars Overseas") for Mars Overseas to purchase 20,000,000 shares of our common stock, and a subsidiary of ours, CopyTele International Ltd. ("CopyTele International"), entered into a GDR Purchase Agreement to purchase 1,495,845 global depository receipts ("GDRs") of Videocon. Both transactions were completed in our first fiscal quarter of fiscal 2008. See Note 1 to the Condensed Consolidated Financial Statements.

Our new display technology has been incorporated into display modules which are brighter, have higher contrast and consume less power than our prior carbon nanotube and proprietary low voltage color phosphor display technology. We have developed various engineering models using such prior technology, which demonstrated the display's ability to show movies from DVD players by

controlling the brightness of selected individual pixels. The carbon nanotubes, which are supplied to us by a U.S. company, 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 approximately 10 microns (1/10th of a human hair) from the pixels. As a result, each pixel phosphor brightness is controlled using a maximum of only 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.

Some other characteristics of our display technology are as follows:

- o We have developed a proprietary system which allows us to evacuate our display; to rapidly vacuum seal it at a low temperature to accommodate the matrix; and to create lithographic type spacers to assemble our display utilizing only 0.7mm glass. We thus obtain a display thickness of approximately 1/16th of an inch, thinner than LCD (liquid crystal) and PDP (plasma) displays.
 - o The display matrix, phosphor excitation system, and drivers are all on one substrate.
 - o Our display is able to select and change the brightness of each individual pixel, requiring only 40 volts on each pixel phosphor to change the brightness from black to white. This compares to thousands of volts required for other video phosphor based displays, which leads to inherent breakdowns and short life.
 - o Our display has no backlight. Because power is only consumed when a pixel is turned on, low power is needed to activate the whole display. The display requires less than 20% the power required by an LCD. This low power consumption could potentially allow use of rechargeable batteries to operate TV products for wireless applications and extend the battery operation time for portable devices.
 - o The same basic display technology could potentially be utilized in various size applications, from hand-held to TV size displays.
 - o Our proprietary matrix structures can be produced by existing mass production TFT (thin film technology) LCD facilities, or portions of these facilities.
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- o Our display eliminates display flicker.
 - o Our display has an approximately 1,000 times faster video response time than an LCD, and matches the response time of a cathode ray tube (CRT).
 - o Our display can be viewed with high contrast over approximately a 180 degree viewing angle, in both the horizontal and vertical directions, which exceeds the viewing angle of LCDs.
 - o Also like CRTs, our display is capable of operating over a temperature range (-40(degree)C to 85(degree)C) which exceeds the range over which LCDs can operate, especially under cold temperature conditions.

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

During the past year we have also continued to pursue our encryption business. We have sought encryption opportunities in both the commercial and government security markets.

Our government market has been primarily handled by The Boeing Company ("Boeing") and its large distributors of the Thuraya satellite phones. The Thuraya Satellite Network has grown as a communications provider due to its geographic coverage, quality of service and cost effective usage. The third Thuraya Geo-mobile satellite was successfully launched in January 2008, allowing Thuraya to embark on major expansion plans to provide their mobile satellite services in the Asia-Pacific region, thus potentially opening new markets for CopyTele security solutions that are designed for the Thuraya network.

During fiscal 2007, we entered into a new three year agreement with Boeing. Boeing now distributes 13 of our products, 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 network. Boeing sells these products under the brand name of Thuraya.

We are continuing to promote our Thuraya encryption solutions through other Thuraya developers and resellers beside Boeing, including Asia Pacific Satellite Industries ("APSI"). We offer a full line of voice, fax and data encryption products that secure these communications, and our products are being

used by government agencies, military, and domestic and international non-governmental organizations (NGOs) in the Middle East, Europe, Far East and Africa.

APSI has manufactured new Thuraya handsets and docking units that allow satellite and GSM cellular communications both outdoors and indoors. CopyTele and APSI have developed connecting cables and compatibility arrangements that customers can easily set up and utilize to secure their communications over the Thuraya network and which are compatible with landline telephone systems. APSI's new FDU-3500 docking unit for its SO-2510 phone is now available in the market. This unit allows for outdoor and indoor operation of the satellite phone on the Thuraya network. Our new 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. We have continued to work on further designs for encrypting the SO-2510 phone that we believe will increase customer attraction to security by reducing the size of the encryption unit and greatly improving the customer's graphical interface.

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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 also added Voice over Internet Protocol (VoIP) functions to the DCS-1200 for corporate utilization over these popular new telephone systems.

In the commercial field, we licensed our encryption system for e-mail to Digital Info Security Co. Inc. ("DISC"), located in Westminster, Colorado. The system, our DCS-2200, integrates into DISC's e-mail services and allows companies to encrypt all e-mail transactions in a manner transparent to the individual user.

In furtherance of our relationship with DISC, during fiscal 2006 and 2007, we acquired an aggregate of 12,200,000 shares of DISC's common stock, all of which were restricted securities. DISC's common stock is not registered under the Securities Exchange Act of 1934, but is quoted on the Pink Sheets. According to DISC's most recent public financial report, as of September 30, 2007 we held approximately 12% of the outstanding common stock of DISC. More information on DISC can be obtained on their website www.disecurityco.com.

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 and in fiscal 2008 we expect to commence receiving license fees from Videocon after Videocon has obtained the necessary regulatory approvals in India for such payments. During the past year we have continued to direct our encryption 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 have pursued and are continuing to pursue marketing and licensing opportunities for our display technology. To date we have not received any revenue from sales or licensing of our display technology; however, commencing in fiscal 2008 we expect to receive license fees from Videocon after Videocon has obtained the necessary regulatory approvals in India for such payments. We anticipate that current cash on hand, cash generated from operations, and cash generated from the exercise of employee options will be adequate to fund our operations at least through the end of the first quarter of fiscal 2009.

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CRITICAL ACCOUNTING POLICES -----

Our 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 financial statements and the reported amounts of revenue and expenses during the reporting periods.

We believe the following critical accounting polices affect the more significant judgments and estimates used in the preparation of our financial statements. For additional discussion on the application of these and other

accounting policies, refer to the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended October 31, 2007.

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.

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. Our net loss is directly affected by management's estimate of the realizability of inventories. To date, sales of our products have been limited. Accordingly, there can be no assurance that we will not be required to reduce the selling price of our inventory below our current carrying value in the future.

Stock Based Compensation

We account for stock options granted to employees, directors and consultants using Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). We recognize compensation expense for stock option awards on a straight-line basis over the requisite service period of the grant. 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 SFAS No. 123R in future periods, the compensation expense that we record under SFAS No. 123R may differ significantly from what we have recorded in the current period.

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RESULTS OF OPERATIONS

Three months ended January 31, 2008 compared with three months ended January 31, 2007

Net Sales and Gross Profit

Net Sales. Net sales decreased by approximately \$79,000 in the three-month period ended January 31, 2008, to approximately \$52,000, as compared to approximately \$131,000 in the comparable prior-year period. Revenue during the current period was from encryption products, while revenue during the prior year period was from encryption products and services. The decrease in net sales resulted from a reduction in unit sales of approximately \$19,000, to approximately \$52,000, as compared to approximately \$71,000 in the comparable prior-year period and a decrease in revenue from encryption services from \$60,000 in the comparable prior-year period to none in the current period. The revenue from encryption services in the prior year period resulted from engineering services billed to DISC. Our encryption sales have been limited and are sensitive to individual large transactions. We believe that changes in sales between periods generally represent the nature of the early stage of our product and sales channel development.

Gross Profit. Gross profit from sales of encryption products and services decreased by approximately \$51,000 in the three-month period ended January 31, 2008, to approximately \$39,000, as compared to a gross profit of approximately \$90,000 in the comparable prior-year period. The decrease in gross profit is primarily due to the decrease in sales. Gross profit as a percent of net sales in the three-month period ended January 31, 2008 was approximately 75%, as compared to approximately 69% in the comparable prior-year period. Because of the limited number of transactions during each of the periods, gross profit percentages are sensitive to individual transactions.

Research and Development Expenses

Research and development expenses increased by approximately \$310,000 in the three-month period ended January 31, 2008, to approximately \$1,313,000, from approximately \$1,003,000 in the comparable prior-year period. The increase in research and development expenses was principally due to an increase in employee stock option compensation expense of approximately \$205,000, an increase in consultant stock option compensation expense of approximately \$45,000 and an increase in employee compensation and related costs, other than stock option expense, of approximately \$46,000.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by approximately \$549,000 to approximately \$1,419,000 in the three-month period ended January 31, 2008, from approximately \$870,000 in the comparable prior-year period. The increase in selling, general and administrative expenses was principally due to an increase in employee stock option compensation expense of approximately \$175,000, an increase in consultant stock option compensation expense of approximately \$162,000, an increase in employee compensation and related costs, other than stock option expense, of approximately \$82,000, an increase in professional fees of approximately \$75,000 and an increase in the provision for doubtful accounts of \$60,000, offset by the partial recovery of inventory from an account receivable previously written off of approximately \$29,000.

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Interest Income

Interest income was approximately \$7,000 in the three-month period ended January 31, 2008, compared to approximately \$10,000 in the comparable prior-year period.

LIQUIDITY AND CAPITAL RESOURCES

From 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 public offering, and upon the exercise of stock options. In 2001 and 2002, we also received payments under a technology development agreement. In addition, commencing in the fourth quarter of fiscal 1999, we have generated cash flows from sales of our encryption products and in fiscal 2008 we expect to commence receiving license fees from Videocon after Videocon has obtained the necessary regulatory approvals in India for such payments.

During the three months ended January 31, 2008, our cash used in operating activities was approximately \$835,000. This resulted from payments to suppliers, employees and consultants of approximately \$894,000, which was offset by cash of approximately \$52,000 received from collections of accounts receivable related to sales of encryption products, and approximately \$7,000 of interest income received. Our cash used in investing activities during the three months ended January 31, 2008 was approximately \$21,247,000, which resulted from a disbursement of \$16,200,000 for the purchase of Videocon GDRs, a disbursement \$5,000,000 to issue a loan to Mars Overseas, purchases of short-term investments consisting of certificates of deposit of \$441,000 and purchases of approximately \$6,000 of equipment, offset by \$400,000 received upon maturities of short-term investments consisting of certificates of deposit. Our cash provided by financing activities during the three months ended January 31, 2008 was approximately \$22,207,000, which resulted from the sale of our common stock to Videocon for \$16,200,000, the proceeds received of \$5,000,000 upon obtaining a loan from Mars Overseas and cash received upon the exercise of stock options of approximately \$1,007,000. Accordingly, during the three months ended January 31, 2008, our cash and cash equivalents increased by approximately \$125,000 and our short-term investments increased by \$41,000. As a result, our cash, cash equivalents, and short-term investments, at January 31, 2008 increased to approximately \$1,235,000 from approximately \$1,069,000 at the end of fiscal 2007.

Accounts receivable decreased by \$60,000 from \$120,000 at the end of fiscal 2007 to \$60,000 at January 31, 2008. The decrease in accounts receivable is a result of a provision for doubtful accounts of \$60,000 related to accounts receivable from DISC. Inventories increased by approximately \$33,000 from approximately \$192,000 at October 31, 2007 to approximately \$225,000 at January 31, 2008, primarily as a result of the timing of shipments and production schedules. Investment in Videocon increased to \$16,200,000 at January 31, 2008, as a result of our purchase of Videocon global depository receipts for that amount. Investment in DISC at cost of \$417,000 has not changed at January 31, 2008 from the end of fiscal 2007. Loan receivable increased to \$5,000,000 at January 31, 2008, as a result of issuing a loan in that amount to Mars Overseas. Accounts payable and accrued liabilities decreased by approximately \$92,000 from approximately \$679,000 at the end of fiscal 2007 to approximately \$587,000 at January 31, 2008, as a result the timing of payments. Loan payable increased to \$5,000,000 at January 31, 2008, as a result obtaining a loan from Mars Overseas.

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As a result of these changes, working capital at January 31, 2008 increased to approximately \$966,000 from approximately \$737,000 at the end of fiscal 2007.

Our working capital includes inventory of approximately \$225,000 at January 31, 2008. 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, there can be no assurance that we will not be required to reduce the selling price of our inventory below our current carrying value.

During the three-month periods ended January 31, 2008 and 2007, we

issued 448,575 shares and 548,800 shares, respectively, of common stock to certain employees for services rendered, principally in lieu of cash compensation, pursuant to the CopyTele, Inc. 2003 Share Incentive Plan (the "2003 Share Plan"). We recorded compensation expense for the three-month periods ended January 31, 2008 and 2007 of approximately \$557,000 and \$421,000, respectively, for the shares of common stock issued to employees. In addition, during the three-month periods ended January 31, 2008 and 2007, we issued 46,326 shares and 134,020 shares, respectively, of common stock to consultants for services rendered pursuant to the 2003 Share Plan. We recorded consulting expense for the three-month periods ended January 31, 2008 and 2007 of approximately \$60,000 and \$95,000, respectively, for the shares of common stock issued to consultants.

During the three-month periods ended January 31, 2008 and 2007, we granted options to purchase 3,125,000 shares and 1,775,000 shares, respectively, to employees, non-employee directors and consultants of common stock at weighted average exercise prices of \$1.03 and \$0.61 per share, respectively, pursuant to the 2003 Share Plan. During the three-month periods ended January 31, 2008 and 2007, stock options to purchase 1,174,200 shares and 1,612,230 shares, respectively, of common stock were exercised with aggregate proceeds of approximately \$1,007,000 and \$738,000, respectively.

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During the three-month period ended January 31, 2008, we issued 20,000,000 shares of our common stock to 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. On February 25, 2008 the Board of Directors of Videocon recommended for approval at the annual general meeting of Videocon to be held on March 31, 2008 a dividend of 3.5 rupees per equity share (each Videocon GDR represents the equivalent of one Videocon equity share). 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 in respect of the Videocon GDRs shall be promptly transferred to us free and clear of any encumbrances under the agreements.

We believe that our existing cash, cash equivalents, short-term investments 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, including license fees we expect to receive from Videocon once Videocon has obtained the necessary regulatory approvals in India for such payments, and other potential sources of cash flows, will be sufficient to enable us to continue in operation until at least the end of the first quarter of fiscal 2009. We anticipate that, thereafter, we will require additional funds to continue our marketing, production, and research and development activities, and we will require outside funding if cash generated from operations is insufficient to satisfy our liquidity requirements. 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 prior to the first quarter of fiscal 2009. The sale of additional equity securities or convertible debt could result in dilution to our stockholders. We currently have no arrangements with respect to additional financing. There can be no assurance that we will generate sufficient revenues in the future (through sales or otherwise) to improve our liquidity or sustain future operations, that the necessary regulatory approvals in India for payments of license fees by Videocon to us will be obtained, 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 funds 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. We have been working with several large organizations to provide them with both our hardware and software encryption solutions for them to evaluate whether the solutions meet their security requirements and have begun supplying several major U.S. companies with our encryption products. We have pursued and are continuing to pursue marketing and licensing opportunities for our display technology. To date we have not received any revenue from sales or licensing of our display technology; however, commencing in fiscal 2008 we expect to receive license fees from Videocon after Videocon has obtained the necessary regulatory approvals in India for such payments. During the three-month period ended January 31, 2008, we have recognized revenue from sales of encryption products of approximately \$52,000.

The following table presents our expected cash requirements for contractual obligations outstanding as of January 31, 2008:

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Payments Due by Period

Contractual Obligations	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
Consulting Agreement	\$ 43,000	-	-	-	\$ 43,000
Noncancelable Operating Leases	\$ 232,000	-	-	-	\$ 232,000
Loan Payable	-	-	-	\$ 5,000,000	\$ 5,000,000
Total Contractual Cash Obligations	\$ 275,000	-	-	\$ 5,000,000	\$ 5,275,000

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FORWARD-LOOKING STATEMENTS

Information included in this Quarterly Report on Form 10-Q 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 Part II, Item 1A - "Risk Factors" below and Note 1 to Condensed Financial Statements. You should read this discussion and analysis along with our Annual Report on Form 10-K for the year ended October 31, 2007 and the condensed financial statements included in this Report. 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 Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We have invested a portion of our cash on hand in short-term, fixed rate and highly liquid instruments that have historically been reinvested when they mature throughout the year. Although our existing instruments are not considered at risk with respect to changes in interest rates or markets for these instruments, our rate of return on these securities could be affected at the time of reinvestment, if any.

At January 31, 2008, our investment in Videocon GDRs is recorded at fair value of approximately \$17,271,000, including an unrealized gain of approximately \$1,071,000, and has exposure to price risk. The fair value of the Videocon GDRs is based on the underlying price of Videocon's equity shares which are traded on stock exchanges in India with prices quoted in rupees. Accordingly, the fair value of the Videocon GDRs is subject to price risk and foreign exchange risk. The potential loss in fair value resulting from a hypothetical 10% adverse change in prices of Videocon equity shares quoted by Indian stock exchanges and in foreign currency exchange rates, as of January 31, 2008 amounts to approximately \$1,727,000.

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Item 4. Controls and Procedures.

We carried out an evaluation, under the supervision and with the participation of our management including our Chairman of the Board and Chief Executive Officer and our Vice President - Finance and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13-15(b) of the Securities Exchange Act of 1934, as amended. Based upon that evaluation, our Chairman of the Board and Chief Executive Officer and our Vice President - Finance and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report.

There was no change in our internal control over financial reporting during the quarter ended January 31, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors.

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended October 31, 2007.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On November 2, 2007, we also entered into a Share Subscription Agreement (the "Subscription Agreement") with Mars Overseas Limited, an affiliate of Videocon Industries Limited ("Mars Overseas"). Under the Subscription Agreement, Mars Overseas agreed to purchase from us 20,000,000 shares of our common stock (the "CopyTele Shares") for an aggregate purchase price of \$16,200,000. The purchase of the CopyTele Shares pursuant to the Subscription Agreement closed on November 6, 2007.

The CopyTele Shares were issued without registration in reliance on the exemption provided by Section 4(2) of the Securities Act of 1933, as amended, for transactions not involving a public offering. In claiming such exemption, we relied on representations that, among other things, Mars Overseas was acquiring the shares for its own account (and not for the account of others) for investment and not with a view to the distribution thereof.

Item 6. Exhibits.

10.1 Technology License Agreement, dated November 2, 2007, between CopyTele, Inc. and Videocon Industries Limited.

10.2 GDR Purchase Agreement, dated November 2, 2007, between CopyTele International Ltd. and Global EPC Ventures Limited. (Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed December 21, 2007.)

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10.3 Addendum to GDR Purchase Agreement, dated November 30, 2007, between CopyTele International Ltd. and Global EPC Ventures Limited. (Incorporated by reference to Exhibit 2.2 to our Current Report on Form 8-K filed December 21, 2007.)

10.4 Share Subscription Agreement, dated November 2, 2007, between CopyTele, Inc. and Mars Overseas Limited.

10.5 Loan and Pledge Agreement, dated November 2, 2007, Between Mars Overseas Limited and CopyTele International Ltd.

10.6 Loan and Pledge Agreement, dated November 2, 2007, Between CopyTele International Ltd. and Mars Overseas Limited.

31.1 Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 11, 2008.

31.2 Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 11, 2008.

32.1 Statement of Chief Executive Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated March 11, 2008.

32.2 Statement of Chief Financial Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated March 11, 2008.

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SIGNATURES

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

COPYTELE, INC.

By: /s/ Denis A. Krusos

Denis A. Krusos
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

March 11, 2008

By: /s/ Henry P. Herms

Henry P. Herms
Vice President - Finance and
Chief Financial Officer (Principal
Financial and Accounting Officer)

March 11, 2008

TECHNOLOGY LICENSE AGREEMENT

THIS TECHNOLOGY LICENSE AGREEMENT (the "Agreement"), made as of the 2nd day of November, 2007, 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 2nd 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;

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:

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 a date mutually agreed by CopyTele and Videocon as soon as practicable after Videocon has received the written approvals of the concerned statutory authorities of government of India to the terms of this Agreement, as may be applicable, and has delivered to CopyTele a copy of the same.

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 sub-license 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; INSEPTION; 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 90th 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 20th July for each period of January to June and on or before 20th 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 15.08. 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 if the necessary statutory and/or regulatory approvals of the concerned authorities to the terms of this Agreement are not obtained within a reasonable period of time (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 supercedes 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 the State of New York, without giving effect to conflict of laws.

Section 15.06 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 15.06), 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 15.07 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 15.08 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 15.06. 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 15.09 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 15.10 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 15.11 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 15.12 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

By: /s/ Venugopal N. Dhoot

Denis A. Krusos
Chairman & CEO

Venugopal N. Dhoot
Chairman & Managing Director

SHARE SUBSCRIPTION AGREEMENT

BETWEEN

COPYTELE INC.

AND

MARS OVERSEAS LIMITED

Dated

2nd NOVEMBER 2007

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This Share Subscription Agreement (this "Agreement") has been entered into on this 2nd day of November, 2007 between:

1. COPYTELE INC., a Delaware corporation having its principal office at 900 Walt Whitman Road, Melville, NY 11747 (hereinafter referred to as the "Company");

AND

2. MARS OVERSEAS LIMITED, a company incorporated under the laws of the Cayman Islands and having its registered office at PO Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands,) (hereinafter referred to as "Investor" which expression includes its successors and permitted assigns).

The Company and the Investor are hereinafter collectively referred to as "Parties" and individually as a "Party".

WHEREAS:

- A. The Company is currently engaged in the development, production and marketing of thin, flat low-voltage phosphor display technology and the development, production and marketing of multi-functional encryption products;
- B. The Investor is a trading Company;
- C. The Investor has agreed to subscribe to and the Company has agreed to issue and sell to the Investor the Subscription Shares (as defined below), on the terms and conditions set out in this Agreement; and
- D. The Parties now desire to enter into this Agreement to record the terms and conditions for subscribing to the Subscription Shares.

NOW THEREFORE, in consideration of the premises and the mutual covenants set forth herein, the Parties hereto, intending to be legally bound, hereby agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1. Definitions

In this Agreement the following words and expressions set out below shall have the following meanings:

1.1.1. "Affiliate" of a Party means (i) in the case of any Party other than a natural person, any other Person that, either directly or indirectly through one or more intermediate Persons, controls, is controlled by or is under common control with such Party; (ii) in the case of any Party that is a natural person, any other Person who is a relative of such Party. For purposes of this definition, "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of any entity, whether through the ownership of voting securities, by contract or otherwise;

1.1.2. "Applicable Law" shall mean all applicable statutes, enactments, acts of legislature or Parliament, laws, ordinances, rules, by-laws, regulations, notifications, guidelines, policies, directions, directives and orders of any Government Authority, tribunal, board, court or recognised stock exchange;

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1.1.3. "Approvals" shall mean any permission, approval, consent, license, order, decree, authorization, authentication of, or registration, qualification, designation, declaration or filing with or notification, exemption or ruling to or from any Governmental Authority required under any statute or regulation for the completion of the transactions contemplated under this Agreement;

1.1.4. "Board" shall mean the Board of Directors of the Company;

1.1.5. "Business Day" shall mean a day other than Saturday and Sunday on which banks are open for normal banking business in London;

1.1.6. "Closing" shall have the meaning as ascribed to it in Clause 3.1;

1.1.7. "Closing Documents" shall have the meaning as ascribed to them in Clause 3.3;

1.1.8. "Designated Account" shall mean the account of the Company designated in accordance with Section 3.1.2;

1.1.9. "Effective Date" shall mean the date of execution of this Agreement by the Parties;

1.1.10. "Encumbrance" shall mean (i) any mortgage, charge (whether

fixed or floating), pledge, lien, hypothecation, assignment, deed of trust, title retention, security interest or other encumbrance of any kind securing, or conferring any priority of payment in respect of, any obligation of any Person, including any right granted by a transaction which, in legal terms, is not the granting of security but which has an economic or financial effect similar to the granting of security under Applicable Law, (ii) any proxy, power of attorney, voting trust agreement, interest, option, right of first offer, refusal or transfer restriction in favour of any Person, and (iii) any adverse claim as to title, possession or use;

- 1.1.11. "Governmental Authority" shall mean any governmental or statutory authority, government department, agency, commission, board, tribunal or court or other entity authorized to make laws, rules or regulations or pass directions having or purporting to have jurisdiction pursuant to the laws of any country as maybe applicable;
- 1.1.12. "Loan Agreement" means those certain Loan and Pledge Agreement dated the date hereof between Investor and CopyTele International Ltd.
- 1.1.13. "Person" shall mean any natural person, firm, company, Governmental Authority, joint venture, association, partnership or other entity (whether or not having separate legal personality);
- 1.1.14. "Subscription Amount" shall have the meaning ascribed to it in Clause 2.2;
- 1.1.15. "Subscription Shares" shall mean 20,000,000 shares of Company's Common Stock to be issued to the Investor by the Company comprising 15.76% of the issued and outstanding shares of common stock of the Company after issuance of the Subscription Shares, in accordance with the terms of this Agreement;
- 1.1.16. "Transaction" shall mean the issue and sale of the Subscription Shares to the Investor;

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- 1.1.17. "Transfer" shall mean and include any direct or indirect sale, assignment, lease, transfer, pledge, gift, Encumbrance or other disposition of or the subjecting to an Encumbrance of, any property, asset, right or privilege or any interest therein or thereto;

1.2. Interpretation

- 1.2.1. Any reference herein to any Clause or Schedule is to such Clause or Schedule to this Agreement unless the context otherwise requires. The Schedules to this Agreement shall be deemed to form part of this Agreement.
- 1.2.2. References to a Party shall, where the context permits, include such Party's respective successors, legal representatives and permitted assigns and in the case of individuals will include their legal representatives, heirs and permitted assigns.
- 1.2.3. The headings or interpretation are inserted for convenience only and shall not affect the construction of this Agreement.
- 1.2.4. Unless the context otherwise requires, words importing the singular include the plural and vice versa, and pronouns importing a gender include each of the masculine, feminine and neuter genders.
- 1.2.5. The terms "hereof", "herein", "hereby", "hereto" and derivative or similar words refer to this entire Agreement or specified Clauses of this Agreement, as the case may be.
- 1.2.6. Reference to statutory provisions shall be construed as meaning

and including references also to any amendment or re-enactment (whether before or after the date of this Agreement) for the time being in force and to all statutory instruments or orders made pursuant to such statutory provisions.

1.2.7. Reference to the word "include" shall be construed without limitation.

1.2.8. Time is of the essence in the performance of the Parties' respective obligations. If any time period specified herein is extended by mutual agreement between the Parties, such extended time shall also be of the essence.

1.2.9. The words "directly or indirectly" mean directly or indirectly through one or more intermediary Persons or through contractual or other legal arrangements, and "direct or indirect" shall have the correlative meanings.

1.2.10. References to the knowledge, information, belief or awareness of any Person shall be deemed to include the knowledge, information, belief or awareness of such Person after examining all information and making all due diligence inquiries and investigations which would be expected or required from a person of ordinary prudence.

2. SUBSCRIPTION OF SHARES

2.1. On the basis of the representations, warranties, covenants, and agreements contained in this Agreement and subject to the terms and conditions of this Agreement, the Investor hereby agrees to subscribe to and pay for, and the Company hereby agrees to issue and sell to the Investor, on the Closing Date, the Subscription Shares at a subscription price of US\$ 0.81 per Subscription Share.

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2.2. The aggregate subscription amount payable by the Investor to the Company on the Closing Date on the issue of the Subscription Shares shall be US\$ 16,200,000 (Sixteen Million Two Hundred Thousand US Dollars) ("Subscription Amount").

2.3. As of September 20, 2007, 106,911,315 shares of the common stock of the Company were issued and outstanding.

3. CLOSING OBLIGATIONS

3.1. The closing of the subscription of the Subscription Shares ("Closing") shall take place, on November 6, 2007 (the "Closing Date") subject to the fulfillment of the following conditions and subject to the Warranties set forth on the Schedules being true, correct and complete as of the Closing Date:

3.1.1. The Company shall deliver to the Investor a copy of the instructions provided by the Company to the Company's transfer agent instructing such transfer agent to issue the Subscription Shares.

3.1.2. The Investor shall deliver to the Company a copy of wire instructions for the Transfer of Subscription Amount to the Designated Account, the details whereof have been reproduced in Schedule 3 attached herewith.

3.1.3. The Company shall deliver to the Investor all documents or instruments as may be reasonably requested by, and in form and substance reasonably satisfactory to, the Investor to record and confirm the issuance of the Subscription Shares such that the Transaction is deemed to have been effectuated on the Closing Date.

3.1.4. The Parties shall have obtained all the necessary corporate, shareholders, and Governmental Approvals required for the consummation of the Transaction.

3.1.5. The Company shall deliver to the Investor a copy of the resolutions of the Board dated September 14, 2007 authorizing the Company to issue the Subscription Shares and an officer of the Company to enter into this Agreement.

3.2. Within 10 (ten) Business Days after the Closing Date, the Company shall deliver to the Investor a copy of records of the Company maintained by the Company and Company's transfer agent stating the issuance of the Subscription Shares together with the share certificate(s) representing the Subscription Shares. Such delivery of copies of records of the Company together with the share certificate(s) representing the Subscription Shares shall be considered to be a formality for completing the Transaction.

3.3. The documents referred to in Clauses 3.1.1, 3.1.3, and 3.1.4 shall be collectively referred to as "Closing Documents".

4. REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

4.1. The Company warrants to the Investor the representations and warranties as set out in Schedule 1 ("Company Warranties").

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4.2. The Investor warrants to the Company the representations and warranties as set out in Schedule 2 ("Investors' Warranties").

4.3. The Company Warranties and Investor Warranties are collectively referred to as "Warranties".

4.4. Each of the Warranties shall be separate and independent and save as expressly provided shall not be limited by reference to any other paragraph or anything in this Agreement or the Schedules.

4.5. The Investor agrees as follows:

4.5.1. The Investor understands that the Subscription Shares are not registered under the U.S. Securities Act of 1933, as amended (the "Act"), or any foreign or state securities laws. The Investor agrees that the Subscription Shares will not be sold, offered for sale, transferred, pledged, hypothecated, or otherwise disposed of (collectively, "Disposed Of") except in compliance with the Act and applicable foreign and state securities laws. Purchasers of Subscription Shares can only Dispose Of the Subscription Shares pursuant to registration under the Act or pursuant to an exemption therefrom.

4.5.2. The Investor agrees that the Subscription Shares will not be Disposed Of (other than in an open market broker's or underwritten transaction, whether pursuant to an offering registered under the Act or pursuant to Rule 144) unless the transferee agrees to abide by the provisions of this Section 4.5.

4.5.3. To enable the Company to enforce the transfer restrictions contained in Sections 4.5.1 and 4.5.2, the Investor hereby consents to the placing of legends upon, and stop-transfer orders with respect to the and with the transfer agent of, the Subscription Shares.

5. CONFIDENTIALITY

5.1. Each Party and its Affiliates shall keep all information relating to the other Party and its Affiliates relating to the Transaction (collectively referred to as the "Information") confidential. Neither Party shall issue any public release or public announcement or otherwise make any disclosure concerning this Agreement and/or the Transaction, without the prior approval of the other Party, provided however, that nothing in this Agreement shall restrict either Party from disclosing any information as may be required under Applicable Law subject to providing a prior written notice to the other Party.

5.2. Nothing in this Clause 5 shall restrict either Party or its Affiliates

from disclosing Information:

- 5.2.1. to the extent that such Information is in the public domain other than by breach of this Agreement;
- 5.2.2. to the extent that such Information is required to be disclosed by any Applicable Law or required to be disclosed to any Governmental Authority to whose jurisdiction such Party and/or its Affiliate(s) is subject or with whose instructions it is customary to comply;

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- 5.2.3. to its or its Affiliates' employees, officer, directors or professional advisers, provided that such Party shall require that such persons treat such Information as confidential;
- 5.2.4. to the extent that any of such Information is/are later acquired by such Party from a source not obligated to the other Party hereto, or to the other Party's Affiliates, to keep such Information confidential;
- 5.2.5. to the extent that any of such Information was previously known or already in the lawful possession of such Party and/or its Affiliates, prior to disclosure by the other Party hereto; and
- 5.2.6. to the extent that any information, materially similar to the Information, shall have been independently developed by such Party and/or its Affiliates without reference to any Information furnished by the other Party hereto.

6. INDEMNIFICATION

- 6.1. Each Party (the "Indemnifying Party") hereby agrees to indemnify, defend and hold harmless the other Party, its Affiliates, and their respective directors, officers, representatives, employees and agents (collectively, the "Indemnified Persons") from and against any and all claims asserted against or incurred by the Indemnified Persons, as a result of, arising from, or in connection with or relating to any matter inconsistent with, or any breach or inaccuracy of any of the Indemnifying Party's Warranties, or any covenant or agreement made by the Indemnifying Party or failure by the Indemnifying Party to perform (whether in whole or part) any obligation required to be performed by it, pursuant to this Agreement.
- 6.2. The knowledge of the Indemnified Persons or the conduct of any investigation by the Indemnified Persons shall not in any manner affect or limit the right to indemnification, payment of claims or other remedies with respect to the accuracy, or inaccuracy of or compliance or non-compliance with, any representation, warranty, covenant, obligation or arrangement set forth hereinabove and the Indemnifying Party shall not invoke the Indemnified Persons' knowledge (actual, constructive or imputed) of a fact or circumstance that might make a statement untrue, inaccurate, incomplete or misleading as a defense to a claim for breach of the representations and warranties or covenant or obligation of the Indemnifying Party.
- 6.3. The indemnification rights of the Indemnified Persons under this Agreement are independent of, and in addition to, such other rights and remedies as the Parties may have at law or in equity or otherwise, including the right to seek specific performance, rescission or other injunctive relief, none of which rights or remedies shall be affected or diminished thereby.

7. NOTICES

- 7.1. Each notice, demand or other communication given or made under this Agreement shall be in writing and delivered or sent to the relevant Party at its address or fax number set out below (or such other address or fax number as the addressee has by seven (7) Business Days' prior written notice specified to the other Parties). Any notice, demand or other communication given or made by letter between countries shall be delivered by registered airmail or international

courier service. Any notice, demand or other communication so addressed to the relevant Party shall be deemed to have been delivered (a) if delivered in person or by messenger, when proof of delivery is obtained by the delivering Party, (b) if sent by post within the same country, on the fifth day following posting, and if sent by post to another country, on the tenth day following posting, and (c) if given or made by fax, upon dispatch and the receipt of a transmission report confirming dispatch.

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7.2. The initial address and facsimile for the Parties for the purposes of the Agreement are:

If to the Company:

Name : CopyTele, Inc.
Address : 900 Walt Whitman Road
Melville, New York 11747
Attention : Mr. Denis A. Krusos
Fax : 631-549-5974
Telephone : 631-549-5900

If to the Investor:

Name : MARS OVERSEAS LIMITED
Address : PO Box 309 GT, Uglan House, South Church
Street, George Town, Grand Cayman,
Cayman Islands
Attention : Mr. Venugopal N. Dhoot
Fax : +91 22 6655 0580
Telephone : + 91 22 6611 3500

8. GOVERNING LAW AND DISPUTE RESOLUTION

8.1. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of England, except that matters relating to the issuance of the Subscription Shares shall be governed by and construed in accordance with the laws of the State of Delaware.

8.2. Dispute Resolution

8.2.1. In the event any Party is in breach of any of the terms of this Agreement, another Party may serve written notice to require the Party in breach to cure such breach within thirty (30) days of the receipt of such written notice thereof.

8.2.2. In the case of any dispute or claim arising out of or in connection with or relating to this Agreement, or the breach (where such breach has not been cured by the Party in breach within thirty (30) days of a written notice thereof), termination or invalidity hereof, the Parties shall attempt to first resolve such dispute or claim through discussions between senior executives of the Investor.

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8.2.3. If the dispute is not resolved through such discussions within thirty (30) days after one Party has served a written notice on the other Party requesting the commencement of discussions, dispute or claim shall be finally settled by arbitration under

the United Nations Commission on International Trade Law Arbitration Rules (the "UNCITRAL Rules") as are in force at the time of any such arbitration. For the purpose of such arbitration, there shall be one arbitrator jointly appointed by the Parties, failing which there shall be three (3) arbitrators in accordance with the UNCITRAL Rules (the "Arbitration Board"). The Company shall appoint one arbitrator, and the Investor shall appoint one arbitrator. The two arbitrators shall then jointly appoint a third arbitrator, who shall serve as Chairman of the Arbitration Board.

8.2.4. All arbitration proceedings shall be conducted in the English language and the place of arbitration shall be in London, England, United Kingdom.

8.2.5. Each Party shall co-operate in good faith to expedite (to the maximum extent practicable) the conduct of any arbitral proceedings commenced under this Agreement.

8.2.6. The costs and expenses of the arbitration, including, the fees of the third arbitrator on the Arbitration Board, shall be borne equally by each Party to the dispute or claim and each Party shall pay its own fees, disbursements and other charges of its counsel and the arbitrators nominated by it, except as may be otherwise determined by the Arbitration Board. The Arbitration Board would have the power to award interest on any sum awarded pursuant to the arbitration proceedings and such sum would carry interest, if awarded, until the actual payment of such amounts.

8.2.7. Any award made by the Arbitration Board shall be final and binding on each of the Parties that were parties to the dispute.

9. MISCELLANEOUS

9.1. No Partnership

The Parties expressly do not intend hereby to form a partnership, either general or limited, under any jurisdiction's partnership law. The Parties do not intend to be partners to one another or partners as to any third party, or create any fiduciary relationship among themselves, solely by virtue of their status as shareholders of the Company. To the extent that any Party, by word or action, represents to another Person that any other Party is a partner or that the Company is a partnership, the Party making such representation shall be liable to any other Parties that incur any losses, claims, damages, liabilities, judgments, fines, obligations, expenses and liabilities of any kind or nature whatsoever (including to any investigative, legal or other expenses incurred in connection with, and any amount paid in settlement of, any pending or threatened legal action or proceeding) arising out of or relating to such representation.

9.2. No Agency

No Party, acting solely in its capacity as a shareholder of the Company, shall act as an agent of the other Parties or have any authority to act for or to bind the other Parties.

9.3. Amendment

This Agreement may not be amended, modified or supplemented except by a written instrument executed by each of the Parties.

9.4. Waiver

No waiver of any provision of this Agreement shall be effective unless set forth in a written instrument signed by the Party waiving such provision. No failure or delay by a Party in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any further exercise thereof or the exercise of any other right, power or remedy. Without limiting the foregoing, no waiver by a Party of any

breach by any other Party of any provision hereof shall be deemed to be a waiver of any prior, concurrent or subsequent breach of that or any other provision hereof.

9.5. Entire Agreement

This Agreement constitutes the whole agreement between the Parties relating to the subject matter hereof and supersedes any prior agreements or understandings relating to such subject matter.

9.6. Severability

Each and every obligation under this Agreement shall be treated as a separate obligation and shall be severally enforceable as such and in the event of any obligation or obligations being or becoming unenforceable in whole or in part. To the extent that any provision or provisions of this Agreement are unenforceable they shall be deemed to be deleted from this Agreement, and any such deletion shall not affect the enforceability of the remainder of this Agreement not so deleted provided the fundamental terms of the Agreement are not altered.

9.7. Counterparts

This Agreement may be executed in one or more counterparts including counterparts transmitted by facsimile, each of which shall be deemed to be an original, but all of which signed and taken together, shall constitute one document.

9.8. Specific Performance

Each Party shall be entitled to an injunction, restraining order, right for recovery, suit for specific performance or such other equitable relief as a court of competent jurisdiction may deem necessary or appropriate to restrain the other Party from committing any violation or to enforce the performance of the covenants, representations and obligations contained in this Agreement. These injunctive remedies are cumulative and are in addition to any other rights and remedies the Parties may have at law or in equity.

9.9. Independent Rights

Each of the rights of the Parties are independent, cumulative and without prejudice to all other rights available to them, and the exercise or non-exercise of any such rights shall not prejudice or constitute a waiver of any other right of the Party, whether under this Agreement or otherwise.

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9.10. No Assignment

Subject to the provisions of this Agreement, this Agreement is personal to the Company and shall not be capable of assignment. Notwithstanding the aforesaid, the Investor may together with the Transfer of any of the Subscription Shares assign any of its rights under this Agreement to any Person who is an Affiliate of the Investor, provided such Transfer of such Subscription Shares complies with the Loan Agreements and the Escrow Agreement (as defined in the Loan Agreements).

9.11. Costs and Expenses

Each Party agrees that it shall bear by itself all costs and expenses incurred by it in connection with any discussions, negotiations and investigations undertaken in connection with the subject matter hereof, including costs and expenses associated with retention of financial, legal, tax and other professional advisers.

9.12. No Third Party Beneficiaries

This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement (except as provided in Clause 6) under the Contracts (Rights of Third Parties) Act 1999 or otherwise.

9.13. Counterparts

This Agreement may be executed in one or more counterparts, including counterparts transmitted by facsimile, each of which shall be deemed an original, but all of which signed and taken together shall constitute 1 (one) document.

IN WITNESS WHEREOF the Parties hereto have executed this Agreement on the day and year first above written.

Signed and delivered for and on behalf of COPYTELE, INC.

By : /s/ Denis A. Krusos
Name : Denis A. Krusos
Title : Chairman and Chief Executive Officer

Signed and delivered for and on behalf of

MARS OVERSEAS LIMITED

By : /s/Venugopal N. Dhoot
Name : Venugopal N. Dhoot
Title : Director

LOAN AND PLEDGE AGREEMENT

BETWEEN

MARS OVERSEAS LIMITED

AND

COPYTELE INTERNATIONAL LTD.

DATED 2nd NOVEMBER 2007

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LOAN AND PLEDGE AGREEMENT

This LOAN AND PLEDGE AGREEMENT (this "Agreement") is made on this 2nd day of November, 2007 by and among:

- (1) COPYTELE INTERNATIONAL LTD., a company incorporated under the laws of the British Virgin Islands and having its registered office at Icaza Gonzalez-Ruiz & Aleman, (BVI) Trust Limited, Vanterpool Plaza, Second Floor, Wickham Cay 1, Road Town, Tortola, British Virgin Islands (hereinafter referred to as the "Borrower" which expression shall include its successors and permitted assigns); and
- (2) MARS OVERSEAS LIMITED, a company incorporated under the laws of the Cayman Islands and having its registered office at PO Box 309 GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands (the "Lender" which expression includes its successors and permitted assigns).

The Borrower and the Lender are individually referred to as a "Party" and

together as the "Parties".

WHEREAS

- A. The Borrower has requested the Lender for a senior secured loan for a sum of US\$5,000,000.
- B. The Borrower has agreed to acquire 1,495,845 Global Depository Receipts of Videocon Industries Ltd. ("Pledged GDRs") having a face value of US\$ 10 each.
- C. The Loan will be secured by pledge of the Pledged GDRs and will be subject to other terms and conditions hereinafter appearing; and
- D. The Lender requires the Borrower to create the pledge and the Borrower has agreed to create the pledge on the terms and conditions set out under this Agreement.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, hereby agrees as follows:

1. DEFINITION AND INTERPRETATION

1.1. The following terms used in this Agreement shall have the meanings assigned to them herein:

- (a) "Agent Bank" means a bank acceptable to Lender and Borrower in which Lender shall have an account for the purpose of repayment of the Loan;
- (b) "Applicable Law" includes all applicable statutes, enactments, laws, ordinances, rules, by-laws, regulations, notifications, guidelines, policies, directions, directives and orders of any Governmental Authority, statutory authority, tribunal, board, court or a recognized stock exchange, as may be applicable;
- (c) "Approvals" means all approvals, permissions, authorizations, consents and notifications whether from any Governmental Authority, regulatory or departmental authority or otherwise including, without limitation, approvals of any authority, or any corporate authorizations as may be applicable;
- (d) "Business Day" means a day (other than Saturday or Sunday) on which banks are open for general business in London, England;
- (e) "Charter Documents" means the Memorandum of Association and Articles of Association of Borrower;
- (f) "Closing Date" means the date of the drawdown of the Loan pursuant to this Agreement, which shall be a date mutually agreed between the Parties hereto and which shall not in any event be later than the 30th day from the date of execution of this Agreement, and in the event the 30th day is not a Business Day or is a Saturday or a Sunday, then the next Business Day, such that on or prior to such date the Borrower shall have purchased the Pledged GDRs and the Lender shall have purchased 20,000,000 shares of the common stock of CopyTele Inc. pursuant to a certain Subscription Agreement, dated the date hereof, between CopyTele Inc. and the Lender;
- (g) "Designated Account" (i) of the Lender means the account of the Lender in the Agent Bank for the purpose of repayment of the Loan, and (ii) of the Borrower means the account of the Borrower in the Agent Bank for

purposes of receiving the Loan.

- (h) "Encumbrance" means any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, security interest or other encumbrances of any kind securing or conferring any priority of payment in respect of any obligation of any Person;
- (i) "Escrow Agent" means the Escrow Agent to be appointed pursuant to the Escrow Agreement;
- (j) "Escrow Agreement" means the escrow agreement to be executed on the or prior to the Closing Date among the Borrower, the Lender and the Escrow Agent, in such form as the Borrower and Lender may agree and as is acceptable to the Escrow Agent, in each case, as amended from time to time;
- (k) "Event of Default" means the occurrence of any of the events or circumstances specified in Clause 7 of this Agreement;
- (l) "Final Settlement Date" means the date on which all the Obligations have been irrevocably and unconditionally paid and discharged in full to the satisfaction of the Lender;
- (m) "Finance Documents" means the following, executed in a form and manner satisfactory to the Lender:
 - i) this Agreement;
 - ii) the Escrow Agreement;
 - iii) all other documents and agreements relating to the above, as such documents may be amended or supplemented from time to time.
- (n) "GDR Certificate/Receipt" means a document evidencing holding of GDRs by the Borrower;
- (o) "Governmental Authority" means any government or political subdivision thereof; any department, agency or instrumentality of any government or political subdivision thereof; any court or arbitral tribunal and includes the governing body of any securities exchange;
- (p) "Loan" shall have the meaning ascribed to it in Clause 2.1 of this Agreement;

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- (q) "Maturity Date" shall mean the seventh anniversary of the Closing Date;
- (o) "Maturity Value" shall mean, when the loan is repaid on the Maturity Date, a sum of US\$ 5 million;
- (r) "Obligations" means all amounts payable pursuant to the terms of the Finance Documents, including without limitation:
 - i) the principal amount of the Loan;
 - ii) any and all sums incurred by the Escrow Agent in order to preserve the security provided under the Finance Documents or its security interest therein; and
 - iii) in the event of any proceeding for the collection or enforcement of the above, after a Default shall have occurred, the expenses incurred for the purpose of retaking, holding, preparing for

sale, selling or otherwise disposing of the Security, or of any exercise by the Lender and/or the Escrow Agent of their respective rights under the various Finance Documents, together with legal fees and court costs;

- (s) "Security" means collectively, the GDR Certificates/Receipts or any other document or instrument evidencing ownership of GDRs, the transfer documents duly signed relating to the Pledged GDRs, and the Pledged GDRs.
- (t) "Taxes" shall mean any and all present and future taxes, levy, impost, premium, duty or other charge of a similar nature, including without limitation, gross receipts, sales, turn-over, value added, use consumption, property, income, franchise, capital, occupational, license, excise and documentary stamps taxes, and customs and other duties, assessments, or fees, however imposed, withheld, levied, or assessed by any country or government subdivision thereof or any other taxing authority together with interest thereon and penalties in respect thereof.

1.2. In this Agreement:

- (a) a provision of law is a reference to that provision as amended or re-enacted;
- (b) a Clause is a reference to a section of this Agreement;
- (c) words importing the plural shall include the singular and vice-versa;
- (d) a Person shall be construed as including references to an individual, firm, company or other body, whether incorporated or not; and
- (e) the index and the headings in this Agreement are for convenience and are to be ignored in construing this Agreement.

2. LOAN & PAYMENT

2.1. At the request of the Borrower, and subject to the terms and conditions set out in this Agreement, on the Closing Date, the Lender shall lend to the Borrower, and the Borrower shall borrow from the Lender, the principal amount of US\$5,000,000 (the "Loan"). The Loan shall not bear interest.

2.2. Lender shall make the Loan by making remittance of the said amount to the Designated Account of the Borrower.

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2.3. The Maturity Value shall be due and payable in lump sum on the Maturity Date. In no case and under no circumstances, arrangements or events whatsoever, shall the Loan be repayable before the seventh anniversary of the Closing Date; and the Borrower shall also have no option to pre-pay before the Maturity Date. The Borrower shall make repayment of the Loan on the Maturity Date by depositing in the Designated Account of the Lender cash in the amount of the Maturity Value.

2.4. In the event there is any pre-payment before the seventh anniversary of the Closing Date in contravention of Clause 2.3 above, due to any reason whatsoever, the Borrower shall be liable to pay and shall pay a pre-payment premium at 200% of the Loan to the Lender. In case of pre-payment, the Loan shall be paid in a single tranche and deposited to the Designated Account of the Lender. Without prejudice to what is stated hereinabove, in the event of the Borrower desires

to prepay the Loan before the Maturity Date, it shall be mandatory that (a) pursuant to an escrow agreement among the Lender, the Borrower and the Agent Bank dated the date hereof the prepaid amount of the Loan shall be kept in escrow in the Designated Account of the Lender until the Maturity Date and shall be paid to the Lender on the date of payment, (b) any interest accruing on the prepaid amount of the Loan kept in escrow in the Designated Account of the Lender shall be also retained in escrow in the Designated Account until the Maturity Date and shall be paid to the Lender on the date of payment, and (c) the lien over the Security will not be vacated until the Maturity Date.

2.5. The Borrower shall drawdown the Loan in a single tranche.

2.6. The Closing of the Loan pursuant to this Agreement and the drawdown thereof shall take place on the Closing Date and is subject to the fulfillment of the following conditions precedent to the satisfaction of the Lender:

i) The Lender shall have received, the following, each dated such day (unless otherwise specified), in form and substance satisfactory to the Lender:

A) copies of the Charter Documents of the Borrower and each amendment thereto, certified as true, correct and complete by the company secretary / director of the Borrower;

B) copies of the resolution of the shareholders and the resolutions of the board of directors of the Borrower, approving the transactions contemplated by the Finance Documents to which the Borrower, is or will be a party, in each case certified as true, correct and complete by the company secretary / director of the Borrower.

ii) The Borrower shall have acquired the Pledged GDRs; and

iii) The Parties and the Escrow Agent shall have entered into the Escrow Agreement.

3. CREATION OF SECURITY

3.1. In order to secure the due performance, payment and discharge in full of the Obligations, and in consideration of the Loan being advanced by the Lender the Borrower hereby pledges in favour of the Escrow Agent, for the benefit of the Lender, as security for the due discharge of the Obligations, the Pledged GDRs, and shall deposit and deliver to the Escrow Agent such relevant instruments or documents, including security receipts/forms/depository slips, GDR Certificate/Receipts or any other document required for effectuating the pledge of the Pledged GDRs.

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3.2. The Borrower shall provide any information and assistance as may be reasonably necessary to perfect the pledge created over the Pledged GDRs in favour of the Escrow Agent for the benefit of the Lender.

3.3. The Borrower hereby agrees and undertakes that, until the Final Settlement Date, the Borrower shall not, and shall not attempt to, transfer any of the Pledged GDRs directly or indirectly or in any form or method whatsoever.

3.4. The Borrower agrees and undertakes that it shall not sell/transfer or enter into any agreement for sale/transfer of the Pledged GDRs to any third party in any manner whatsoever until the seventh anniversary of the Closing Date. The

Borrower shall give irrevocable instructions to the Escrow Agent not to accept any instructions for withdrawal/cancellation of the Pledged GDRs or for sale/transfer of the Pledged GDRs other than in accordance with the terms of the Escrow Agreement.

- 3.5. The Pledged GDRs shall continue to remain pledged with the Escrow Agent for security of repayment of the Loan for a period of seven years or repayment of the Loan, whichever is later. Further, even in case of prepayment of the Loan prior to the expiry of seven years as stated above in Clause 2.4, the Pledged GDRs shall continue to remain pledged with the Escrow Agent until the seventh anniversary of Closing Date.

4. TAXES

- 4.1. The Borrower shall bear all Taxes as may be applicable or as may be levied in relation to each Facility and all other amounts payable under the Finance Documents. Notwithstanding anything to the contrary stated herein, it is expressly agreed that all payments to be made to the Lender under the Finance Documents shall be made free and clear of and without any deduction for or on account of any Taxes and without any set-off or counter-claim. If the Borrower is required to make deduction on account of any Taxes, then, in such case, the sums (other than the interest amounts) payable to the Lender shall be increased to the extent necessary to ensure that, after making such deduction, the Lender receive and retain (without any liability for such deductions) a sum equal to the sum which it would have received and retained, had no such deduction been made or required to be made.
- 4.2. Without prejudice to the provisions of Clause 4.1 above, if the Lender is required to make any payment on account of any Taxes in relation to any sum received or receivable by it hereunder (excluding income tax payable by the Lender) or any liability in respect of such payment is imposed, levied or assessed against such Lender, the Borrower shall, upon demand of such Lender, promptly reimburse to such Lender such payment or liability together with interest, penalties and expenses, if any, paid or incurred in connection therewith.

5. REPRESENTATIONS AND WARRANTIES

- 5.1. The Borrower hereby represents and warrants to the Lender as of the date of this Agreement (which representations and warranties shall survive the execution and delivery of this Agreement and continue until the Final Settlement Date) as follows:
- (a) the Borrower is duly organised and validly existing under the laws of British Virgin Islands and has the power and authority to carry on business as is now being carried on and to own its property and assets;
 - (b) the Borrower has the power and authority to enter into and perform its obligations under the Finance Documents in accordance with the terms thereof and has taken all necessary corporate and other actions to authorise the execution, delivery and performance of the obligations under the Finance Documents;
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- (c) the execution, delivery and performance of the Finance Documents and creation of a valid and legally enforceable pledge in favour of the Escrow Agent for the benefit of the Lender by the Borrower will not contravene (i) any Applicable Law or regulation to which the Borrower is subject or (ii) any provision of the Charter Documents of the Borrower or (iii) any agreement or obligation or document binding on or

applicable to the Borrower;

- (d) the Finance Documents and the pledge created herein constitute legally binding and enforceable obligations of the Borrower;
- (e) no clearance, authorizations, Approvals, waivers, no objections or other action by, and no notice to or filing, registration with, any Governmental Authority or any other Person is required for the due execution, delivery, recordation, filing or performance by the Borrower of any Finance Document or for the creation, perfection and the maintenance of the various security interest created pursuant to the Finance Documents (including for the maintenance of the first priority as contemplated therein);
- (f) no Event of Default has occurred;
- (g) the Borrower has not granted or agreed to grant in favour of any other person any interest in or any option or other rights in respect of any of the Pledged GDRs;
- (h) no actions, proceedings or steps have been taken and/or are proposed or threatened for the liquidation, winding up or dissolution, administration, reorganization or insolvency of the Borrower, or for the appointment of a receiver, trustee or similar officer in respect of the Borrower or its assets before any court, Governmental Authority or administrative body and/or under any applicable bankruptcy, insolvency, winding-up or other similar law;
- (i) no actions, suits, proceedings, investigations, litigation, arbitration or administrative proceedings of any kind in any court or before any arbitrator or any Governmental Authority are at present current or pending against the Borrower or its assets or threatened which has or is likely to have a material adverse effect;
- (j) there are no third party consents required to be obtained for the Borrower to lawfully enter into and perform their respective obligations under the Finance Documents;
- (k) there are no actions, proceedings, disputes or claims pending before any court, government agency or administrative body, or threatened against or affecting the Borrower or its assets and which would adversely affect the ability of the Borrower to perform their respective obligations under the Finance Documents;
- (l) on the Closing Date, the Borrower shall be the legal and beneficial owner of, and shall have good and marketable title to, or valid and enforceable rights in respect of, all of its property and assets over which the security interest is proposed to be created in favour of the Escrow Agent for the benefit of the Lender pursuant to the Finance Documents and such assets will not be subject to any Encumbrances other than those created pursuant to the Finance Documents.

6. BORROWERS' COVENANTS

6.1. Positive Covenants

The Borrower irrevocably and unconditionally covenants and undertakes that so long as any Obligations remain outstanding, and until the Final Settlement Date, it shall:

- (a) maintain its corporate existence (to the extent applicable) and all rights and privileges enjoyed and obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all Approvals required to enable it to lawfully carry on its business;
- (b) obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all Approvals as may be required to enable it to enter into and perform its obligations under the Finance Documents and the transactions contemplated thereby and to ensure the legality, validity, enforceability or admissibility in evidence of the Finance Documents and this Agreement;
- (c) comply with all Applicable Laws and the terms and conditions of the Approvals;
- (d) pay regularly all Taxes, assessments, dues, duties and impositions as may, from time to time be payable to any Governmental Authority;
- (e) comply in all respects with the terms of the Finance Documents;
- (f) use reasonable commercial efforts to do or cause to be done everything which is necessary, in the reasonable opinion of the Lender, to create and perfect the security with respect to the Pledged GDRs pursuant to the Finance Documents (including, without limitation, any further registration or filing in respect of the security);
- (g) pay or reimburse to the Lender all charges, Taxes or penalties imposed on or in pursuance of this Agreement or on any instruments, issued hereunder, payable in relation to the interest amounts on the pre-paid Loan amount paid to the Lender;
- (h) perform and execute, on the request of the Lender, such acts and deeds, as may be reasonably necessary and/or required to carry out the intent of the Finance Documents; and
- (i) do all such acts and things as may be reasonably required by the Lender to protect the interest of the Lender under the Finance Documents.

6.2. Negative Covenants

The Borrower covenants and agrees that so long as any Obligations remain outstanding and until the Final Settlement Date, without the prior written consent of the Lender :

- (a) the Borrower shall not undertake any further borrowing in any manner whatsoever;
- (b) the Borrower shall not dispose of or create any other Encumbrance or grant any third party rights over the Pledged GDRs which has been pledged in favour of the Escrow Agent for the benefit of the Lender;
- (c) the Borrower shall not effect and/or enter into any transaction of merger, amalgamation, reconstruction, consolidation, reconstruction, restructuring, reorganization or other similar transactions including those relating to change in its shareholding pattern (whether legal or beneficial) other than those permitted in terms of the Finance Documents, as a result whereof the Borrower is not the surviving entity, or as a result of which an Event of Default

arises;

- (d) the Borrower shall not amend, alter or modify its Charter Documents in a manner which may affect the terms of the Finance Documents or the rights of any of the Lender thereunder in any manner whatsoever;

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- (e) the Borrower shall not wind up, liquidate or dissolve or initiate any voluntary winding up process and/or cause any circumstance to arise which could result in any person initiating winding up actions against the Borrower and/or any other actions which in the opinion of the Lender would affect or is likely to affect the rights and benefits of the Lender including their rights in relation to the security;
- (f) the Borrower shall ensure that except as otherwise provided in the Finance Documents, the security created thereunder shall be free of encumbrances, except for the security interest created thereon in favour of the Escrow Agent for the benefit of the Lender;
- (g) the Borrower shall not grant in favour of any other Person any interest in or any option or other rights in respect of the Pledged GDRs or any part thereof.
- (h) the Borrower shall not enter into any corporate arrangement including but not limited to merger, amalgamation, joint venture or partnership with any other entity.
- (g) the Borrower shall not at any point of time, have any creditors, unsecured lenders or any other outside liability in any form whatsoever, other than an unsecured loan of an amount not exceeding US\$ 16,300,000/- (US\$ Sixteen Million Three Hundred Thousand) from CopyTele Inc., Parent Company of the Borrower. The loan so obtained from CopyTele Inc. shall be interest free and shall be subordinate to the Loan obtained from the Lender..

7. EVENTS OF DEFAULT

7.1. The occurrence of any of the following events shall constitute an Event of Default (the "Event of Default"):

- (a) the Borrower fails to pay any amount due under the Finance Documents on the due date or on demand, as the case may be;
- (b) failure to maintain the first priority exclusive pledge over the Pledged GDRs in favour of the Escrow Agent for the benefit of the Lender pursuant to the Finance Documents;
- (c) any representation or statement made by the Borrower under any of the Finance Documents, including any representation or statement with respect to the security, or any certificate or statement delivered by the Borrower pursuant thereto is or proves to have been incorrect or misleading when made and affects the performance of the obligations by the Borrower under the Finance Documents or cause the breach of any of the provisions of the Finance Documents;
- (d) any amendment to or alteration or modification of the Charter Documents in a manner which may affect the terms of the Finance Documents or the rights of the Lender thereunder in any manner whatsoever, without the consent of the Lender;

- (e) the Borrower fails to maintain a valid legal title to the Pledged GDRs;
- (f) the Borrower commences or takes steps to initiate a voluntary winding up or restructuring process under any applicable bankruptcy, insolvency, winding up or other similar laws now or hereafter in effect, or consent to the entry of an order for relief in an involuntary proceeding under any such law, or consents to the appointment or taking possession by a receiver, liquidator, assignee (or similar official) for any part of their properties;

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- (g) the Borrower is deemed unable to pay its debts or becomes unable to pay its debts as they fall due or suspends or threatens to suspend making payments (whether principal or interest) with respect to any of its debts;
- (h) Breach of any of the covenants as mentioned in Clause 6.1 and Clause 6.2 above

8. REMEDIES ON EVENT OF DEFAULT

8.1. Upon an Event of Default, the Pledged GDRs shall be forfeited by the Escrow Agent for the benefit of the Lender who shall hold the same as trustee for the Lender and then deal with Pledged GDRs as per the instructions of the Lender.

8.2. In addition to the above, the Lender shall also have a right to:

- (a) enforce the security interest created pursuant to the Finance Documents;
- (b) exercise all the rights and remedies available to it under the Finance Documents in such manner as the Lender may deem fit without intervention of the Court and without any consent of the Borrower and/or any Person.

8.3. The Borrower agrees that at any time after an Event of Default occurs, the Lender shall have the right, without prejudice to its other rights under this Agreement and the other Finance Documents and/or under any Applicable Law, in its discretion to exercise all the rights, powers and remedies vested in it (whether vested in it by or pursuant to this Agreement, the other Finance Documents or by any Applicable Law) for the protection, perfection and enforcement of its rights in respect of the Security, and the Lender shall be entitled, without limitation, to exercise the rights set out below:

- (a) to give suitable instructions to the Escrow Agent such that the Pledged GDRs are released and handed over to the Lender;
- (b) to transfer or register in the name of its nominees, as it shall deem fit, all or any of the Pledged GDRs, at the cost of the Borrower;
- (c) to receive all amounts payable in respect of the Security;
- (d) to receive cash proceeds and/or to sell the non-cash Security (or any part thereof), without the intervention of the court or other judicial authority and/or Governmental Authority, at public or private sale or on any securities exchange for cash, or transfer or procure registration in the name of the Escrow Agent, or any of its nominees at the cost of the

Borrower, as the Escrow Agent may deem commercially reasonable and apply the proceeds thereof towards payment of the Obligations, provided that the Escrow Agent shall not be obliged to make any sale of any Security relating to Pledged GDRs if it desires not to do so, regardless of the fact that notice of sale may have been given;

(e) to take all such actions including vote all or any part of the Pledged GDRs (whether or not transferred in the name of the Escrow Agent) with respect thereto as though it were the outright owner thereof;

(f) exercise such other rights as the Lender may deem fit under Applicable Law.

9. CONTINUING OBLIGATIONS

The liabilities and obligations of the Borrower under or pursuant to this Agreement and the other Finance Documents shall remain in full force and effect notwithstanding any act, omission, event or circumstance whatsoever until the Final Settlement Date.

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10. COSTS, CHARGES AND EXPENSES

Each Party shall bear all its own costs, charges and expenses (including legal and other fees on a full indemnity basis), and Taxes on it pertaining to the Loan in connection with the negotiation, preparation, execution, registration, administration, modification and amendment of this Agreement, the other Finance Documents and any other document delivered hereunder and in exercising, protecting, perfecting, preserving or enforcing any of its rights or powers hereunder or there under (including the security interest created under or pursuant to the Finance Documents) or in suing for or seeking to recover any sums due hereunder or thereunder or in defending any claims brought against it in respect of this Agreement and any other document delivered hereunder or pursuant to this Agreement or in releasing this Agreement, the other Finance Documents or the security interest created hereunder or pursuant to this Agreement and the other Finance Documents on the Final Settlement Date.

11. INDEMNITY

The Borrower shall indemnify and hold harmless the Lender, the Escrow Agent and their nominees, agents, officers, and directors ("Indemnified Parties") against all actions, proceedings, claims, demands, judgments, losses, liabilities, obligations, damages, costs and expenses ("Losses") imposed, asserted against or incurred by them which may be incurred, sustained or raised in respect of any Event of Default or the non-performance of or non-observance of any of the undertakings, representations and warranties and agreements on the part of the Borrower herein contained or contained in any other Finance Documents or in respect of any inaccuracy in the representation and warranties relating in any way whatsoever to the security interest created hereunder.

12. RELEASE AND TERMINATION

Upon the occurrence of the Final Settlement Date, this Agreement shall terminate and the Escrow Agent shall, as provided in the Escrow Agreement, release the Security from the pledge granted hereby, and shall deliver to Borrower such Security as may be in the possession of the Escrow Agent. However, in no case or in no event whatsoever, the securities shall be released to the Borrower before the seventh anniversary of the Closing Date.

13. MISCELLANEOUS

13.1. Governing Law

This Agreement shall be governed by and construed in accordance with

the laws of England.

13.2. Dispute Resolution

- (a) In the event any Party is in breach of any of the terms of this Agreement, another Party may serve written notice to require the Party in breach to cure such breach within thirty (30) days of the receipt of such written notice thereof.
- (b) In the case of any dispute or claim arising out of or in connection with or relating to this Agreement, or the breach (where such breach has not been cured by the Party in breach within thirty (30) days of a written notice thereof), termination or invalidity hereof, the Parties shall attempt to first resolve such dispute or claim through discussions between senior executives of the Investor.
- (c) If the dispute is not resolved through such discussions within thirty (30) days after one Party has served a written notice on the other Party requesting the commencement of discussions, dispute or claim shall be finally settled by arbitration under the United Nations Commission on International Trade Law Arbitration Rules (the "UNCITRAL Rules") as are in force at the time of any such arbitration. For the purpose of such arbitration, there shall be one arbitrator jointly appointed by the Parties, failing which there shall be three (3) arbitrators in accordance with the UNCITRAL Rules (the "Arbitration Board"). The Company shall appoint one arbitrator, and the Investor shall appoint one arbitrator. The two arbitrators shall then jointly appoint a third arbitrator, who shall serve as Chairman of the Arbitration Board.

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- (d) All arbitration proceedings shall be conducted in the English language and the place of arbitration shall be in London, England, United Kingdom.
- (e) Each Party shall co-operate in good faith to expedite (to the maximum extent practicable) the conduct of any arbitral proceedings commenced under this Agreement.
- (f) The costs and expenses of the arbitration, including, the fees of the third arbitrator on the Arbitration Board, shall be borne equally by each Party to the dispute or claim and each Party shall pay its own fees, disbursements and other charges of its counsel and the arbitrators nominated by it, except as may be otherwise determined by the Arbitration Board. The Arbitration Board would have the power to award interest on any sum awarded pursuant to the arbitration proceedings and such sum would carry interest, if awarded, until the actual payment of such amounts.
- (g) Any award made by the Arbitration Board shall be final and binding on each of the Parties that were parties to the dispute.

13.3. Notice/Communication

- (a) Each notice, demand or other communication given or made under this Agreement shall be in writing and delivered or sent to the relevant Party at its address or fax number set out below (or such other address or fax number as the addressee has by seven (7) Business Days' prior written notice specified to the other Parties). Any notice, demand or other communication given or made by letter between countries shall be delivered by registered airmail or international

courier service. Any notice, demand or other communication so addressed to the relevant Party shall be deemed to have been delivered (i) if delivered in person or by messenger, when proof of delivery is obtained by the delivering Party, (ii) if sent by post within the same country, on the fifth day following posting, and if sent by post to another country, on the tenth day following posting, and (iii) if given or made by fax, upon dispatch and the receipt of a transmission report confirming dispatch.

(b) The initial address and facsimile for the Parties for the purposes of the Agreement are:

If to the Borrower:

Name : COPYTELE INTERNATIONAL LTD.

Address : c/o CopyTele, Inc.
900 Walt Whitman Road
Melville, New York 11747

Attention : Mr. Denis A. Krusos

Fax : 631-549-5974

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Telephone : 631-549-5900

If to the Lender:

Name : MARS OVERSEAS LIMITED

Address : C/o Videocon Industries Limited
Fort House, Second Floor,
Dr. D. N. Road, Fort ,
Mumbai, India: 400001

Attention : Mr. Venugopal N. Dhoot

Fax : +91 22 6655 0580

Telephone : + 91 22 6611 3600

13.4. Waiver/Forbearance

Any waiver of any provision of this Agreement and any waiver of any default under this Agreement shall only be effective if made in writing and signed by the Lender. Any waiver or forbearance or delay on the part of the Lender to insist upon the performance of any terms and conditions of this Agreement, or to exercise any right or privilege conferred under this Agreement, or to demand any penalties resulting from any breach of any of the terms or conditions of this Agreement shall not be construed as a waiver on the part of the Lender of any of the terms or conditions of this agreement or of its rights or privileges or of any other default on the part of the Borrower, and all original rights and powers of the Lender under this Agreement will remain in full force, notwithstanding any such forbearance or delay. For the avoidance of doubt it is clarified that the waiver by the Lender of any of its rights under this Agreement on a particular occasion shall not constitute a waiver on any subsequent occasion of such right.

13.5. Severability

If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, the legality, validity and enforceability of such provision under the law of any other jurisdiction, and of the remaining provisions of this Agreement shall not be affected or impaired thereby. In the event that any of the terms or provisions of this Agreement or

portions or applications thereof, are held to be prohibited, unenforceable or invalid under any law, a reasonable adjustment in such term or provision shall be made with a view towards effecting the purpose of such terms and provisions of this Agreement, and the enforceability and validity of the remaining terms and provisions, or portions or applications thereof, shall not be affected thereby.

13.6. Survival

Any expiry or termination of this Agreement or the release of any securities on the occurrence of the Final Settlement Date shall not affect Clauses 1.1, 1.2, 11, 12 and 13 which shall survive expiry or termination of this Agreement and/or the release of any of the securities.

13.7. No Assignment

(a) The terms and provisions of this Agreement shall be binding upon, and the benefits hereof shall inure to the Parties hereto and their respective successors and assigns.

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(b) Neither Party shall assign this Agreement or any of the rights, duties or obligations hereunder without the prior written consent of the other Party.

13.8. Variation of the Terms

No amendment, modification or variation of this Agreement shall be binding on either the Borrower or the Lender unless such amendment, modification or variation is in writing and is signed by each of the Borrower and the Lender.

13.9. No Third Party Beneficiaries

This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement (except as provided in Clause 11) under the Contracts (Rights of Third Parties) Act 1999 or otherwise.

13.10. Counterparts

This Agreement may be executed in one or more counterparts, including counterparts transmitted by facsimile, each of which shall be deemed an original, but all of which signed and taken together shall constitute 1 (one) document.

IN WITNESS WHEREOF the Parties hereto have executed these presents the day and year first hereinabove written.

COPYTELE INTERNATIONAL LTD.

By: /s/ Denis A. Krusos

Name: Denis A. Krusos
Title: Chairman and Chief Executive Officer

MARS OVERSEAS LIMITED

By: /s/ Venugopal N. Dhoot

Name: Venugopal N. Dhoot
Title: DIRECTOR

LOAN AND PLEDGE AGREEMENT

BETWEEN

COPYTELE INTERNATIONAL LTD.

AND

MARS OVERSEAS LIMITED

DATED 2nd NOVEMBER 2007

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LOAN AND PLEDGE AGREEMENT

This LOAN AND PLEDGE AGREEMENT (this "Agreement") is made on the 2nd day of November, 2007 by and among:

- (1) COPYTELE INTERNATIONAL LTD., a company incorporated under the laws of the British Virgin Islands and having its registered office at Icaza Gonzalez-Ruiz & Aleman, (BVI) Trust Limited, Vanterpool Plaza, Second Floor, Wickham Cay 1, Road Town, Tortola, British Virgin Islands (hereinafter referred to as the "Lender" which expression shall include its successors and permitted assigns); and
- (2) MARS OVERSEAS LIMITED, a company incorporated under the laws of the

Cayman Islands and having its registered office at PO Box 309 GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands (the "Borrower" which expression includes its successors and permitted assigns).

The Borrower and the Lender are individually referred to as a "Party" and together as the "Parties".

WHEREAS

- A. The Borrower has requested the Lender for a senior secured loan for a sum of US\$5,000,000.
- B. The Borrower has agreed to acquire 20,000,000 shares of the common stock of CopyTele Inc. ("Pledged Shares").
- C. The loan will be secured by pledge of the Pledged Shares and will be subject to other terms and conditions hereinafter appearing; and
- D. The Lender requires the Borrower to create the pledge and the Borrower has agreed to create the pledge on the terms and conditions set out under this Agreement.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, hereby agrees as follows:

1. DEFINITION AND INTERPRETATION

1.1. The following terms used in this Agreement shall have the meanings assigned to them herein:

- (a) "Agent Bank" means a bank acceptable to Lender and Borrower in which Lender shall have an account for the purpose of repayment of the Loan;
- (b) "Applicable Law" includes all applicable statutes, enactments, laws, ordinances, rules, by-laws, regulations, notifications, guidelines, policies, directions, directives and orders of any Governmental Authority, statutory authority, tribunal, board, court or a recognized stock exchange, as may be applicable;
- (c) "Approvals" means all approvals, permissions, authorizations, consents and notifications whether from any Governmental Authority, regulatory or departmental authority or otherwise including, without limitation, approvals of any authority, or any corporate authorizations as may be applicable;
- (d) "Business Day" means a day (other than Saturday or Sunday) on which banks are open for general business in London, England;
- (e) "Charter Documents" means the Memorandum of Association and Articles of Association of Borrower;
- (f) "Closing Date" means the date of the drawdown of the Loan pursuant to this Agreement, which shall be a date mutually agreed between the Parties hereto and which shall not in any event be later than the 30th day from the date of execution of this Agreement, and in the event the 30th day is not a Business Day or is a Saturday or a Sunday, then the next Business Day, such that on or prior to such date, the Lender shall have purchased 1,495,845 global depository receipts of Videocon Industries Ltd. and the Borrower shall have purchased the Pledged Shares pursuant to a certain Subscription Agreement, dated the date hereof, between CopyTele Inc. and the Lender;
- (g) "Designated Account" (i) of the Lender means the account of the Lender in the Agent Bank for the purpose of repayment of the Loan, and (ii) of the Borrower means the account of the Borrower in the Agent Bank for purposes of receiving the Loan.

- (h) "Encumbrance" means any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, security interest or other encumbrances of any kind securing or conferring any priority of payment in respect of any obligation of any Person;
- (i) "Escrow Agent" means the Escrow Agent to be appointed pursuant to the Escrow Agreement;
- (j) "Escrow Agreement" means the escrow agreement to be executed on or prior to the Closing Date among the Borrower, the Lender and the Escrow Agent, in such form as the Borrower and Lender may agree and as is acceptable to the Escrow Agent, in each case, as amended from time to time;
- (k) "Event of Default" means the occurrence of any of the events or circumstances specified in Clause 7 of this Agreement;
- (l) "Final Settlement Date" means the date on which all the Obligations have been irrevocably and unconditionally paid and discharged in full to the satisfaction of the Lender;
- (m) "Finance Documents" means the following, executed in a form and manner satisfactory to the Lender:
 - i) this Agreement;
 - ii) the Escrow Agreement;
 - iii) all other documents and agreements relating to the above, as such documents may be amended or supplemented from time to time.
- (n) "Governmental Authority" means any government or political subdivision thereof; any department, agency or instrumentality of any government or political subdivision thereof; any court or arbitral tribunal and includes the governing body of any securities exchange;
- (o) "Loan" shall have the meaning ascribed to it in Clause 2.1 of this Agreement;
- (p) "Maturity Date" shall mean the seventh anniversary of the Closing Date;

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- (o) "Maturity Value" shall mean, when the loan is repaid on the Maturity Date, a sum of US\$ 5 million;
- (q) "Obligations" means all amounts payable pursuant to the terms of the Finance Documents, including without limitation:
 - i) the principal amount of the Loan;
 - ii) any and all sums incurred by the Escrow Agent in order to preserve the security provided under the Finance Documents or its security interest therein; and
 - iii) in the event of any proceeding for the collection or enforcement of the above, after a Default shall have occurred, the expenses incurred for the purpose of retaking, holding, preparing for sale, selling or otherwise disposing of the Security, or of any exercise by the Lender and/or the Escrow Agent of their respective rights under the various Finance Documents, together with legal fees and court costs;
- (r) "Security" means collectively, the Share Certificates or any other document or instrument evidencing ownership of the Pledged Shares, the transfer documents duly signed relating to the Pledged Shares, and the Pledged Shares.

- (s) "Share Certificate" means a certificate evidencing holding of the Pledged Shares by the Borrower;
- (t) "Taxes" shall mean any and all present and future taxes, levy, impost, premium, duty or other charge of a similar nature, including without limitation, gross receipts, sales, turn-over, value added, use consumption, property, income, franchise, capital, occupational, license, excise and documentary stamps taxes, and customs and other duties, assessments, or fees, however imposed, withheld, levied, or assessed by any country or government subdivision thereof or any other taxing authority together with interest thereon and penalties in respect thereof.

1.2. In this Agreement:

- (a) a provision of law is a reference to that provision as amended or re-enacted;
- (b) a Clause is a reference to a section of this Agreement;
- (c) words importing the plural shall include the singular and vice-versa;
- (d) a Person shall be construed as including references to an individual, firm, company or other body, whether incorporated or not; and
- (e) the index and the headings in this Agreement are for convenience and are to be ignored in construing this Agreement.

2. LOAN & PAYMENT

2.1. At the request of the Borrower, and subject to the terms and conditions set out in this Agreement, on the Closing Date, the Lender shall lend to the Borrower, and the Borrower shall borrow from the Lender, the principal amount of US\$5,000,000 (the "Loan"). The Loan shall not bear interest.

2.2. Lender shall make the Loan by making remittance of the said amount to the Designated Account of the Borrower.

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2.3. The Maturity Value shall be due and payable in lump sum on the Maturity Date. In no case and under no circumstances, arrangements or events whatsoever, shall the Loan be repayable before the seventh anniversary of the Closing Date; and the Borrower shall also have no option to pre-pay before the Maturity Date. The Borrower shall make repayment of the Loan on the Maturity Date by depositing in the Designated Account of the Lender cash in the amount of the Maturity Value.

2.4. In the event there is any pre-payment before the seventh anniversary of the Closing Date in contravention of Clause 2.3 above, due to any reason whatsoever, the Borrower shall be liable to pay and shall pay a pre-payment premium at 200% of the Loan to the Lender. In case of pre-payment, the Loan shall be paid in a single tranche and deposited to the Designated Account of the Lender. Without prejudice to what is stated hereinabove, in the event of the Borrower desires to prepay the Loan before the Maturity Date, it shall be mandatory that (a) pursuant to an escrow agreement among the Lender, the Borrower and the Agent Bank dated the date hereof the prepaid amount of the Loan shall be kept in escrow in the Designated Account of the Lender until the Maturity Date and shall be paid to the Lender on the date of payment, (b) any interest accruing on the prepaid amount of the Loan kept in escrow in the Designated Account of the Lender shall be also retained in escrow in the Designated Account until the Maturity Date and shall be paid to the Lender on the date of payment, and (c) the lien over the Security will not be vacated until the Maturity Date.

- 2.5. The Borrower shall drawdown the Loan in a single tranche.
- 2.6. The Closing of the Loan pursuant to this Agreement and the drawdown thereof shall take place on the Closing Date and is subject to the fulfillment of the following conditions precedent to the satisfaction of the Lender:
- i) The Lender shall have received, the following, each dated such day (unless otherwise specified), in form and substance satisfactory to the Lender:
 - A) copies of the Charter Documents of the Borrower and each amendment thereto, certified as true, correct and complete by the company secretary / director of the Borrower;
 - B) copies of the resolution of the shareholders and the resolutions of the board of directors of the Borrower, approving the transactions contemplated by the Finance Documents to which the Borrower, is or will be a party, in each case certified as true, correct and complete by the company secretary / director of the Borrower.
 - ii) The Lender shall have acquired 1,495,845 global depository receipts of Videocon Industries Ltd;
 - iii) The borrower shall have acquired the Pledged Shares.;and
 - iv) The Parties and the Escrow Agent shall have entered into the Escrow Agreement.

3. CREATION OF SECURITY

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- 3.1. In order to secure the due performance, payment and discharge in full of the Obligations, and in consideration of the Loan being advanced by the Lender the Borrower hereby pledges in favour of the Escrow Agent, for the benefit of the Lender, as security for the due discharge of the Obligations, the Pledged Shares, and shall deposit and deliver to the Escrow Agent such relevant instruments or documents, including Share Certificates, or any other document required for effectuating the pledge of the Pledged Shares.
- 3.2. The Borrower shall provide any information and assistance as may be reasonably necessary to perfect the pledge created over the Pledged Shares in favour of the Escrow Agent for the benefit of the Lender.
- 3.3. The Borrower hereby agrees and undertakes that, until the Final Settlement Date, the Borrower shall not, and shall not attempt to, transfer any of the Pledged Shares directly or indirectly or in any form or method whatsoever.
- 3.4. The Borrower agrees and undertakes that it shall not sell/transfer or enter into any agreement for sale/transfer of the Pledged Shares to any third party in any manner whatsoever until the seventh anniversary of the Closing Date. The Borrower shall give irrevocable instructions to the Escrow Agent not to accept any instructions for withdrawal/cancellation of the Pledged Shares or for sale/transfer of the Pledged Shares other than in accordance with the terms of the Escrow Agreement.
- 3.5. The Pledged Shares shall continue to remain pledged with the Escrow Agent for security of repayment of the Loan for a period of seven years or repayment of the Loan, whichever is later. Further, even in case of prepayment of the Loan prior

to the expiry of seven years as stated above in Clause 2.4, the Pledged Shares shall continue to remain pledged with the Escrow Agent until the seventh anniversary of Closing Date.

4. TAXES

4.1. The Borrower shall bear all Taxes as may be applicable or as may be levied in relation to each Facility and all other amounts payable under the Finance Documents. Notwithstanding anything to the contrary stated herein, it is expressly agreed that all payments to be made to the Lender under the Finance Documents shall be made free and clear of and without any deduction for or on account of any Taxes and without any set-off or counter-claim. If the Borrower is required to make deduction on account of any Taxes, then, in such case, the sums (other than the interest amounts) payable to the Lender shall be increased to the extent necessary to ensure that, after making such deduction, the Lender receive and retain (without any liability for such deductions) a sum equal to the sum which it would have received and retained, had no such deduction been made or required to be made.

4.2. Without prejudice to the provisions of Clause 4.1 above, if the Lender is required to make any payment on account of any Taxes in relation to any sum received or receivable by it hereunder (excluding income tax payable by the Lender) or any liability in respect of such payment is imposed, levied or assessed against such Lender, the Borrower shall, upon demand of such Lender, promptly reimburse to such Lender such payment or liability together with interest, penalties and expenses, if any, paid or incurred in connection therewith.

5. REPRESENTATIONS AND WARRANTIES

5.1. The Borrower hereby represents and warrants to the Lender as of the date of this Agreement (which representations and warranties shall survive the execution and delivery of this Agreement and continue until the Final Settlement Date) as follows:

(a) the Borrower is duly organised and validly existing under the laws of the Cayman Islands and has the power and authority to carry on business as is now being carried on and to own its property and assets;

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(b) the Borrower has the power and authority to enter into and perform its obligations under the Finance Documents in accordance with the terms thereof and has taken all necessary corporate and other actions to authorise the execution, delivery and performance of the obligations under the Finance Documents;

(c) the execution, delivery and performance of the Finance Documents and creation of a valid and legally enforceable pledge in favour of the Escrow Agent for the benefit of the Lender by the Borrower will not contravene (i) any Applicable Law or regulation to which the Borrower is subject or (ii) any provision of the Charter Documents of the Borrower or (iii) any agreement or obligation or document binding on or applicable to the Borrower;

(d) the Finance Documents and the pledge created herein constitute legally binding and enforceable obligations of the Borrower;

(e) no clearance, authorizations, Approvals, waivers, no objections or other action by, and no notice to or filing, registration with, any Governmental Authority or any other Person is required for the due execution, delivery, recordation, filing or performance by the Borrower of any

Finance Document or for the creation, perfection and the maintenance of the various security interest created pursuant to the Finance Documents (including for the maintenance of the first priority as contemplated therein);

- (f) no Event of Default has occurred;
- (g) the Borrower has not granted or agreed to grant in favour of any other person any interest in or any option or other rights in respect of any of the Pledged Shares;
- (h) no actions, proceedings or steps have been taken and/or are proposed or threatened for the liquidation, winding up or dissolution, administration, reorganization or insolvency of the Borrower, or for the appointment of a receiver, trustee or similar officer in respect of the Borrower or its assets before any court, Governmental Authority or administrative body and/or under any applicable bankruptcy, insolvency, winding-up or other similar law;
- (i) no actions, suits, proceedings, investigations, litigation, arbitration or administrative proceedings of any kind in any court or before any arbitrator or any Governmental Authority are at present current or pending against the Borrower or its assets or threatened which has or is likely to have a material adverse effect;
- (j) there are no third party consents required to be obtained for the Borrower to lawfully enter into and perform their respective obligations under the Finance Documents;
- (k) there are no actions, proceedings, disputes or claims pending before any court, government agency or administrative body, or threatened against or affecting the Borrower or its assets and which would adversely affect the ability of the Borrower to perform their respective obligations under the Finance Documents;
- (l) the Borrower is the legal and beneficial owner of, and has good and marketable title to, or a valid and enforceable rights in respect of, all of its property and assets over which the security interest is proposed to be created in favour of the Escrow Agent for the benefit of the Lender pursuant to the Finance Documents and such assets are not subject to any Encumbrances other than those created pursuant to the Finance Documents.

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6. BORROWERS' CONVENANTS

6.1. Positive Covenants

The Borrower irrevocably and unconditionally covenants and undertakes that so long as any Obligations remain outstanding, and until the Final Settlement Date, it shall:

- (a) maintain its corporate existence (to the extent applicable) and all rights and privileges enjoyed and obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all Approvals required to enable it to lawfully carry on its business;
- (b) obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all Approvals as may be required to enable it to enter into and perform its obligations under the Finance Documents and the transactions contemplated thereby and to ensure the legality, validity, enforceability or admissibility in evidence of the Finance Documents and this Agreement;
- (c) comply with all Applicable Laws and the terms and conditions of the Approvals;

- (d) pay regularly all Taxes, assessments, dues, duties and impositions as may, from time to time be payable to any Governmental Authority;
- (e) comply in all respects with the terms of the Finance Documents;
- (f) use reasonable commercial efforts to do or cause to be done everything which is necessary, in the reasonable opinion of the Lender, to create and perfect the security with respect to the Pledged Shares pursuant to the Finance Documents (including, without limitation, any further registration or filing in respect of the security);
- (g) pay or reimburse to the Lender all charges, Taxes or penalties imposed on or in pursuance of this Agreement or on any instruments, issued hereunder, payable in relation to the interest amounts on the pre-paid Loan amount paid to the Lender;
- (h) perform and execute, on the request of the Lender, such acts and deeds, as may be reasonably necessary and/or required to carry out the intent of the Finance Documents; and
- (i) do all such acts and things as may be reasonably required by the Lender to protect the interest of the Lender under the Finance Documents.

6.2. Negative Covenants

The Borrower covenants and agrees that so long as any Obligations remain outstanding and until the Final Settlement Date, without the prior written consent of the Lender :

- (a) the Borrower shall not undertake any further borrowing in any manner whatsoever;
 - (b) the Borrower shall not dispose of or create any other Encumbrance or grant any third party rights over the Pledged Shares which has been pledged in favour of the Escrow Agent for the benefit of the Lender;
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- (c) the Borrower shall not effect and/or enter into any transaction of merger, amalgamation, reconstruction, consolidation, reconstruction, restructuring, reorganization or other similar transactions including those relating to change in its shareholding pattern (whether legal or beneficial) other than those permitted in terms of the Finance Documents, as a result whereof the Borrower is not the surviving entity, or as a result of which an Event of Default arises;
 - (d) the Borrower shall not amend, alter or modify its Charter Documents in a manner which may affect the terms of the Finance Documents or the rights of any of the Lender thereunder in any manner whatsoever;
 - (e) the Borrower shall not wind up, liquidate or dissolve or initiate any voluntary winding up process and/or cause any circumstance to arise which could result in any person initiating winding up actions against the Borrower and/or any other actions which in the opinion of the Lender would affect or is likely to affect the rights and benefits of the Lender including their rights in relation to the security;
 - (f) the Borrower shall ensure that except as otherwise provided in the Finance Documents, the security created thereunder shall be free of encumbrances, except for the security interest created thereon in favour of the Escrow Agent for the benefit of the Lender;

- (g) the Borrower shall not grant in favour of any other Person any interest in or any option or other rights in respect of the Pledged Shares or any part thereof.
- (h) the Borrower shall not enter into any corporate arrangement including but not limited to merger, amalgamation, joint venture or partnership with any other entity.
- (g) the Borrower shall not at any point of time, have any creditors, unsecured lenders or any other outside liability in any form whatsoever other than the unsecured loan not exceeding US\$ 21,300,000/- (US\$ Twenty One Million Three Hundred Thousand) from group companies. The loan so obtained from the group companies shall be interest free and shall be subordinate to the Loan obtained from the Lender.

7. EVENTS OF DEFAULT

7.1. The occurrence of any of the following events shall constitute an Event of Default (the "Event of Default"):

- (a) the Borrower fails to pay any amount due under the Finance Documents on the due date or on demand, as the case may be;
- (b) failure to maintain the first priority exclusive pledge over the Pledged Shares in favour of the Escrow Agent for the benefit of the Lender pursuant to the Finance Documents;
- (c) any representation or statement made by the Borrower under any of the Finance Documents, including any representation or statement with respect to the security, or any certificate or statement delivered by the Borrower pursuant thereto is or proves to have been incorrect or misleading when made and affects the performance of the obligations by the Borrower under the Finance Documents or cause the breach of any of the provisions of the Finance Documents;
- (d) any amendment to or alteration or modification of the Charter Documents in a manner which may affect the terms of the Finance Documents or the rights of the Lender thereunder in any manner whatsoever, without the consent of the Lender;

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- (e) the Borrower fails to maintain a valid legal title to the Pledged Shares;
- (f) the Borrower commences or takes steps to initiate a voluntary winding up or restructuring process under any applicable bankruptcy, insolvency, winding up or other similar laws now or hereafter in effect, or consent to the entry of an order for relief in an involuntary proceeding under any such law, or consents to the appointment or taking possession by a receiver, liquidator, assignee (or similar official) for any part of their properties;
- (g) the Borrower is deemed unable to pay its debts or becomes unable to pay its debts as they fall due or suspends or threatens to suspend making payments (whether principal or interest) with respect to any of its debts;
- (h) Breach of any of the covenants as mentioned in Clause 6.1 and Clause 6.2 above

8. REMEDIES ON EVENT OF DEFAULT

8.1. Upon an Event of Default, the Pledged Shares shall be forfeited by the Escrow Agent for the benefit of the Lender who shall hold the same as trustee for the Lender and then deal with Pledged Shares as per the instructions of the Lender.

- 8.2. In addition to the above, the Lender shall also have a right to:
- (a) enforce the security interest created pursuant to the Finance Documents;
 - (b) exercise all the rights and remedies available to it under the Finance Documents in such manner as the Lender may deem fit without intervention of the Court and without any consent of the Borrower and/or any Person.

8.3. The Borrower agrees that at any time after an Event of Default occurs, the Lender shall have the right, without prejudice to its other rights under this Agreement and the other Finance Documents and/or under any Applicable Law, in its discretion to exercise all the rights, powers and remedies vested in it (whether vested in it by or pursuant to this Agreement, the other Finance Documents or by any Applicable Law) for the protection, perfection and enforcement of its rights in respect of the Security, and the Lender shall be entitled, without limitation, to exercise the rights set out below:

- (a) to give suitable instructions to the Escrow Agent such that the Pledged Shares are released and handed over to the Lender;
- (b) to transfer or register in the name of its nominees, as it shall deem fit, all or any of the Pledged Shares, at the cost of the Borrower;
- (c) to receive all amounts payable in respect of the Security;
- (d) to receive cash proceeds and/or to sell the non-cash Security (or any part thereof), without the intervention of the court or other judicial authority and/or Governmental Authority, at public or private sale or on any securities exchange for cash, or transfer or procure registration in the name of the Escrow Agent, or any of its nominees at the cost of the Borrower, as the Escrow Agent may deem commercially reasonable and apply the proceeds thereof towards payment of the Obligations, provided that the Escrow Agent shall not be obliged to make any sale of any Security relating to Pledged Shares if it desires not to do so, regardless of the fact that notice of sale may have been given;

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- (e) to take all such actions including vote all or any part of the Pledged Shares (whether or not transferred in the name of the Escrow Agent) with respect thereto as though it were the outright owner thereof;
- (f) exercise such other rights as the Lender may deem fit under Applicable Law.

9. CONTINUING OBLIGATIONS

The liabilities and obligations of the Borrower under or pursuant to this Agreement and the other Finance Documents shall remain in full force and effect notwithstanding any act, omission, event or circumstance whatsoever until the Final Settlement Date.

10. COSTS, CHARGES AND EXPENSES

Each Party shall bear all its own costs, charges and expenses (including legal and other fees on a full indemnity basis), and Taxes on it pertaining to the Loan in connection with the negotiation, preparation, execution, registration, administration, modification and amendment of this Agreement, the other Finance Documents and any other document delivered hereunder and in exercising, protecting, perfecting, preserving or enforcing any of its rights or powers hereunder or there

under (including the security interest created under or pursuant to the Finance Documents) or in suing for or seeking to recover any sums due hereunder or thereunder or in defending any claims brought against it in respect of this Agreement and any other document delivered hereunder or pursuant to this Agreement or in releasing this Agreement, the other Finance Documents or the security interest created hereunder or pursuant to this Agreement and the other Finance Documents on the Final Settlement Date.

11. INDEMNITY

The Borrower shall indemnify and hold harmless the Lender, the Escrow Agent and their nominees, agents, officers, and directors ("Indemnified Parties") against all actions, proceedings, claims, demands, judgments, losses, liabilities, obligations, damages, costs and expenses ("Losses") imposed, asserted against or incurred by them which may be incurred, sustained or raised in respect of any Event of Default or the non-performance of or non-observance of any of the undertakings, representations and warranties and agreements on the part of the Borrower herein contained or contained in any other Finance Documents or in respect of any inaccuracy in the representation and warranties relating in any way whatsoever to the security interest created hereunder.

12. RELEASE AND TERMINATION

Upon the occurrence of the Final Settlement Date, this Agreement shall terminate and the Escrow Agent shall, as provided in the Escrow Agreement, release the Security from the pledge granted hereby, and shall deliver to Borrower such Security as may be in the possession of the Escrow Agent. However, in no case or in no event whatsoever, the securities shall be released to the Borrower before the seventh anniversary of the Closing Date.

13. MISCELLANEOUS

13.1. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of England.

13.2. Dispute Resolution

(a) In the event any Party is in breach of any of the terms of this Agreement, another Party may serve written notice to require the Party in breach to cure such breach within thirty (30) days of the receipt of such written notice thereof.

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(b) In the case of any dispute or claim arising out of or in connection with or relating to this Agreement, or the breach (where such breach has not been cured by the Party in breach within thirty (30) days of a written notice thereof), termination or invalidity hereof, the Parties shall attempt to first resolve such dispute or claim through discussions between senior executives of the Investor.

(c) If the dispute is not resolved through such discussions within thirty (30) days after one Party has served a written notice on the other Party requesting the commencement of discussions, dispute or claim shall be finally settled by arbitration under the United Nations Commission on International Trade Law Arbitration Rules (the "UNCITRAL Rules") as are in force at the time of any such arbitration. For the purpose of such arbitration, there shall be one arbitrator jointly appointed by the Parties, failing which there shall be three (3) arbitrators in accordance with the UNCITRAL Rules (the "Arbitration Board"). The Company shall appoint one arbitrator, and the Investor shall appoint one arbitrator. The two arbitrators shall then jointly appoint a third arbitrator, who shall serve as Chairman of the

Arbitration Board.

- (d) All arbitration proceedings shall be conducted in the English language and the place of arbitration shall be in London, England, United Kingdom.
- (e) Each Party shall co-operate in good faith to expedite (to the maximum extent practicable) the conduct of any arbitral proceedings commenced under this Agreement.
- (f) The costs and expenses of the arbitration, including, the fees of the third arbitrator on the Arbitration Board, shall be borne equally by each Party to the dispute or claim and each Party shall pay its own fees, disbursements and other charges of its counsel and the arbitrators nominated by it, except as may be otherwise determined by the Arbitration Board. The Arbitration Board would have the power to award interest on any sum awarded pursuant to the arbitration proceedings and such sum would carry interest, if awarded, until the actual payment of such amounts.
- (g) Any award made by the Arbitration Board shall be final and binding on each of the Parties that were parties to the dispute.

13.3.

Notice/Communication

- (a) Each notice, demand or other communication given or made under this Agreement shall be in writing and delivered or sent to the relevant Party at its address or fax number set out below (or such other address or fax number as the addressee has by seven (7) Business Days' prior written notice specified to the other Parties). Any notice, demand or other communication given or made by letter between countries shall be delivered by registered airmail or international courier service. Any notice, demand or other communication so addressed to the relevant Party shall be deemed to have been delivered (i) if delivered in person or by messenger, when proof of delivery is obtained by the delivering Party, (ii) if sent by post within the same country, on the fifth day following posting, and if sent by post to another country, on the tenth day following posting, and (iii) if given or made by fax, upon dispatch and the receipt of a transmission report confirming dispatch.
- (b) The initial address and facsimile for the Parties for the purposes of the Agreement are:

If to the Lender:

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Name : COPYTELE INTERNATIONAL LTD.
Address : c/o CopyTele, Inc.
900 Walt Whitman Road
Melville, New York 11747
Attention : Mr. Denis A. Krusos
Fax : 631-549-5974
Telephone : 631-549-5900

If to the Borrower:

Name : MARS OVERSEAS LIMITED
Address : C/o Videocon Industries Limited
Fort House, Second Floor,
Dr. D. N. Road, Fort ,
Mumbai, India: 400001

Attention : Mr. Venugopal N. Dhoot
Fax : +91 22 6655 0580
Telephone : + 91 22 6611 3600

13.4. Waiver/Forbearance

Any waiver of any provision of this Agreement and any waiver of any default under this Agreement shall only be effective if made in writing and signed by the Lender. Any waiver or forbearance or delay on the part of the Lender to insist upon the performance of any terms and conditions of this Agreement, or to exercise any right or privilege conferred under this Agreement, or to demand any penalties resulting from any breach of any of the terms or conditions of this Agreement shall not be construed as a waiver on the part of the Lender of any of the terms or conditions of this agreement or of its rights or privileges or of any other default on the part of the Borrower, and all original rights and powers of the Lender under this Agreement will remain in full force, notwithstanding any such forbearance or delay. For the avoidance of doubt it is clarified that the waiver by the Lender of any of its rights under this Agreement on a particular occasion shall not constitute a waiver on any subsequent occasion of such right.

13.5. Severability

If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, the legality, validity and enforceability of such provision under the law of any other jurisdiction, and of the remaining provisions of this Agreement shall not be affected or impaired thereby. In the event that any of the terms or provisions of this Agreement or portions or applications thereof, are held to be prohibited, unenforceable or invalid under any law, a reasonable adjustment in such term or provision shall be made with a view towards effecting the purpose of such terms and provisions of this Agreement, and the enforceability and validity of the remaining terms and provisions, or portions or applications thereof, shall not be affected thereby.

13.6. Survival

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Any expiry or termination of this Agreement or the release of any securities on the occurrence of the Final Settlement Date shall not affect Clauses 1.1, 1.2, 11, 12 and 13 which shall survive expiry or termination of this Agreement and/or the release of any of the securities.

13.7. No Assignment

- (a) The terms and provisions of this Agreement shall be binding upon, and the benefits hereof shall inure to the Parties hereto and their respective successors and assigns.
- (b) Neither Party shall assign this Agreement or any of the rights, duties or obligations hereunder without the prior written consent of the other Party.

13.8. Variation of the Terms

No amendment, modification or variation of this Agreement shall be binding on either the Borrower or the Lender unless such amendment, modification or variation is in writing and is signed by each of the Borrower and the Lender.

13.9. No Third Party Beneficiaries

This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement (except as provided in Clause 11) under the Contracts (Rights of Third

Parties) Act 1999 or otherwise.

13.10. Counterparts

This Agreement may be executed in one or more counterparts, including counterparts transmitted by facsimile, each of which shall be deemed an original, but all of which signed and taken together shall constitute 1 (one) document.

IN WITNESS WHEREOF the Parties hereto have executed these presents the day and year first hereinabove written.

COPYTELE INTERNATIONAL LTD.

By: /s/ Denis A. Krusos

Name: Denis A. Krusos

Title: Chairman and Chief Executive Officer

MARS OVERSEAS LIMITED

By: /s/ Venugopal N. Dhoot

Name: Venugopal N. Dhoot

Title: DIRECTOR

Exhibit 31.1

CERTIFICATION

I, Denis A. Krusos, Chairman of the Board and Chief Executive Officer of CopyTele, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q 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
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
Chief Executive Officer

March 11, 2008

CERTIFICATION

I, Henry P. Herms, Vice President - Finance and Chief Financial Officer of CopyTele, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q 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
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

March 11, 2008

Exhibit 32.1

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 Company's Form 10-Q Quarterly Report for the period ended January 31, 2008 (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
Chief Executive Officer

March 11, 2008

Exhibit 32.2

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 Company's Form 10-Q Quarterly Report for the period ended January 31, 2008 (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
Chief Financial Officer

March 11, 2008