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

FORM 10-K

[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended October 31, 2012

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from _____ to _____

Commission file number: 0-11254

COPYTELE, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**11-2622630**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

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

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

Securities registered pursuant to Section 12(b) of the Act:
None
Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.01 par value

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

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

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 has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [x] No [_]

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

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

Large accelerated filer [__] Accelerated filer [__]

Non-accelerated filer [__] (Do not check if a smaller reporting company) Smaller reporting company [x]

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

Aggregate market value of the voting stock (which consists solely of shares of common stock) held by non-affiliates of the registrant as of April 30, 2012 (the last business day of the registrant's most recently completed second fiscal quarter), computed by reference to the closing sale price of the registrant's common stock on the Over-the-Counter Bulletin Board on such date ($0.165): $25,224,809

On January 22, 2013, the registrant had outstanding 185,104,037 shares of common stock, par value $.01 per share, which is the registrant's only class of common stock.

DOCUMENTS INCORPORATED BY REFERENCE:
NONE

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PART I

Item 1. Business.

Forward-Looking Statements

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

Overview

As used herein, "we," "us," "our," the "Company", "CopyTele" or "CTI" means CopyTele, Inc. unless otherwise indicated. Unless otherwise indicated, all references in this Form 10-K to "dollars" or "$" refer to US dollars.

CTI currently owns 53 U.S. patents and 11 U.S. patent applications. Our principal operations include the development, acquisition, licensing, and enforcement of patented technologies. While in the past, the primary operations of the Company involved licensing in connection with and the development of patented technologies, the primary operations of the Company going forward will be patent licensing in connection with the unauthorized use of patented technologies and patent enforcement. We expect to first generate revenues and related cash flows from the licensing and enforcement of patents that we currently own. We are continuing to develop our patent portfolios through the filing and prosecution of patent applications and will initiate lawsuits, if necessary, to prevent the unauthorized use of our patented technologies. Certain of our patents are encumbered due to arrangements previously entered into by the Company. Where we are able, we will take the steps necessary to remove any encumbrances that may inhibit our patent licensing and enforcement efforts. We expect to obtain the rights to license and enforce additional patents from third parties, and when necessary, will assist such parties in the further development of their patent portfolios through the filing of additional patent applications. In the ordinary course of our business, we will likely initiate patent enforcement actions against unauthorized users of patented technologies on our own behalf and in conjunction with such third parties.

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Patent Monetization and Patent Assertion

Patent monetization is the generation of revenue and proceeds from patents and patented technologies ("Patent Monetization"). Patent assertion is a specialized type of Patent Monetization where a patent owner, or a representative of the patent owner, seeks to prohibit or collect royalties from the unauthorized manufacture, sale, and use of the owner's patented invention ("Patent Assertion"). CTI's new business model is Patent Monetization and Patent Assertion. We currently own 53 U.S. patents and 11 U.S. patent applications, which are mainly grouped into 4 patent portfolios: Key Based Encryption ("KB Encryption"); ePaper® Electrophoretic Display ("ePaper® Display"); Nano Field Emission Display ("nFED Display"); and Micro Electro Mechanical Systems Display ("MEMS Display").

CTI's Patent Portfolios

Key Based Encryption

Portfolio covering the generation and management of encryption keys used for securing e-mail, text messages, data, voice and facsimile. This type of encryption technology is commonly used for cloud based storage and email archiving, to comply with HIPAA and other regulations regarding the safeguarding of personal information. KB Encryption can also be used for protecting sensitive cellular, satellite, and local area network communications.

ePaper® Electrophoretic Display

Fundamental portfolio covering the underlying chemistry, manufacturing, assembly, and internal operations of core electrophoretic technology used in the world's most popular eReader devices. Coverage includes both the particles, and the suspension, which are the primary elements used to create highly reflective grey scale images to simulate reading on paper.

Nano Field Emission Display

Portfolio covering a new type of flat panel display consisting of low voltage color phosphors, specially coated carbon nanotubes, nano materials to generate secondary electrons, and ionized noble gas, resulting in a bright, sharp, high contrast color image. This is an emerging technology that would result in a flat panel display utilizing less power, with better picture quality and lower manufacturing costs.

Micro Electro Mechanical Systems Display

Portfolio covering vanadium dioxide coated pixels that electrically modulate light at extremely high speeds to form an image. Additional coverage on use of electrostatic force to move pixel sized membranes that create a color image. These are emerging, low voltage, display technologies with numerous potential commercial applications.

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Patent Monetization and Patent Assertion Activities

On January 28, 2013, CTI initiated a patent infringement lawsuit in the United States District Court for the Northern District of California against E Ink Corporation ("E Ink"), regarding certain patents owned by CTI pertaining to CTI's ePaper® Electrophoretic Display technology (the "E Ink Lawsuit"). CTI alleges that E Ink has infringed and continues to infringe such patents in connection with the manufacture, sale, use, and importation of electrophoretic displays.

Prior Agreements

AU Optronics Corp.

In May 2011, we entered into an Exclusive License Agreement (the "EPD License Agreement") and a License Agreement (the "Nano Display License Agreement") with AU Optronics Corp. ("AUO") (together the "AUO License Agreements"). Under the EPD License Agreement, we provided AUO with an exclusive, non-transferable, worldwide license of our E-Paper® Display patents and technology, in connection with AUO jointly developing products with CopyTele, including the right to sublicense the technology to third parties in connection with the joint development of such products. Under the Nano Display License Agreement, we provided AUO with a non-exclusive, non-transferable, worldwide license of our nFED Display patents and technology, in connection with AUO jointly developing products with CopyTele, with the right to consent to the granting of licenses of the technology to third parties.

On January 28, 2013, we sent AUO a notice, terminating the AUO License Agreements due to numerous alleged material and continual breaches of the agreements by AUO. On January 28, 2013, we also filed a lawsuit in the United States District Court for the Northern District of California against AUO and E Ink in connection with the AUO License Agreements, alleging breach of contract, breach of the implied covenant of good faith and fair dealing, fraudulent inducement, unjust enrichment, unfair business practices, attempted monopolization, and other charges, and we are seeking compensatory, punitive, and treble damages (the "AUO/E Ink Lawsuit"). A copy of the Complaint filed in the AUO/E Ink Lawsuit is available at www.CopyTele.com. For more details on the AUO/E Ink Lawsuit, please see the "Item 3. Legal Proceedings." section below.

Videocon Industries Limited

In November 2007, we entered into a Technology License Agreement (as amended in May 2008), (the "Videocon License Agreement") with Videocon. In April 2008, the Indian Government approved the Videocon License Agreement. Under the Videocon License Agreement, we provided Videocon with a non-transferable, worldwide license of our nFED Display technology, for Videocon to produce and market products incorporating nFED Displays. With the approval and support of Videocon, we entered into the Nano Display License Agreement for AUO to utilize their production facilities to produce nFED Displays for their own products and

potentially for Videocon products. Additional licenses of the nFED Display technology require the joint agreement of CTI and Videocon, and may require the consent of AUO, depending upon the outcome of CTI's termination of the Nano Display License Agreement and the AUO/E Ink Lawsuit. We have entered into discussions with Videocon regarding the disposition of the Videocon License Agreement.

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Under the terms of the Videocon License Agreement, we were scheduled to receive a license fee of $11 million from Videocon, payable in installments over a 27 month period and an agreed upon royalty from Videocon based on display sales by Videocon. The initial installment was received in May 2008 however certain license fee payments were subsequently deferred. The deferral of the license fee payments is no longer in effect; however, we cannot give any assurance that additional license fees will be received. No license fee payments were received from Videocon during the fiscal years ended October 31, 2012 and 2011. As of October 31, 2012, we have received aggregate license fee payments from Videocon of $3.2 million and $7.8 million remains owed to us.

At the same time we entered into the Videocon License Agreement in November 2007, we also entered into a Share Subscription Agreement (the "Share Subscription Agreement") with Mars Overseas Limited, an affiliate of Videocon ("Mars Overseas"). Under the Share Subscription Agreement, Mars Overseas purchased 20,000,000 unregistered shares of our common stock (the "CopyTele Shares") from us for an aggregate purchase price of $16,200,000. Also in November 2007, our wholly-owned subsidiary, CopyTele International Ltd. ("CopyTele International"), entered into a GDR 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.

For the purpose of effecting a lock up of the Videocon GDRs and CopyTele Shares (collectively, the "Securities") for a period of seven years, and therefore restricting both parties from selling or transferring the Securities during such period, CopyTele International and Mars Overseas entered into two Loan and Pledge Agreements in November 2007. The Videocon GDRs are to be held as security for a loan in the principal amount of $5,000,000 from Mars Overseas to CopyTele International, and the CopyTele Shares are similarly held as security for a loan in the principal amount of $5,000,000 from CopyTele International to Mars Overseas. The loans are for a period of seven years, do not bear interest, and prepayment of the loans will not release the lien on the Securities prior to end of the seven year period. The loan agreements provide for customary events of default, which may result in forfeiture of the Securities by the defaulting party, and 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 in respect of the Securities. The loan receivable from Mars Overseas is classified as a contra-equity under shareholders' equity in the accompanying consolidated balance sheet, because the loan receivable is secured by the CopyTele Shares and the Share Subscription Agreement and Loan and Pledge Agreement were entered into concurrently. We have entered into discussions with Videocon regarding the disposition of the Subscriptions Agreements, and Loan and Pledge Agreements.

Volga Svet Ltd.

In September 2009, we entered into a Technology License Agreement with Volga Svet Ltd., (the "Volga License Agreement") to produce and market our thin, flat, low voltage phosphor, Nano Displays in Russia. In addition, in September 2009, we entered into a separate agreement with Volga whereby we obtained a 19.9% ownership interest in Volga in exchange for 150,000 unregistered shares of our common stock. Since we do not anticipate that we will continue to develop our Nano Displays, we are re-evaluating the Volga License Agreement and our ownership interest in Volga.

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ZQX Advisors LLC

In August of 2009, we initiated an evaluation of our ePaper® Electrophoretic Display technology under an agreement with ZQX Advisors LLC ("ZQX") and took a 19.5% ownership interest in ZQX. On January 21, 2013 we terminated our agreement with ZQX, but currently retain our 19.5% interest in ZQX.

Encryption Products

We continue to look for opportunities to sell off our remaining inventory of encryption products and have arrangements to support those products as necessary in connection with any such sales. We do not anticipate developing any additional encryption products.

Competition

CTI expects to encounter competition in the areas of patent acquisitions and enforcement from both private and publicly traded companies that engage in Patent Monetization and Patent Assertion. This includes competition from companies seeking to acquire the same patents and patent rights that we may seek to acquire. Entities such as Acacia Research Corporation, Allied Security Trust, Altitude Capital Partners, Coller IP, Intellectual Ventures, Millennium Partners, Open Innovation Network, RPX Corporation, Rembrandt IP Management, and others derive all or a substantial portion of their revenue from Patent Assertion and we expect more entities to enter the market.

We also compete with venture capital firms, strategic corporate buyers and various industry leaders for patent and technology acquisitions and licensing opportunities. Many of these competitors have more financial and human resources than our company.

Research and Development

Research and development expenses were approximately $2866,000 and $2,873,000 for the fiscal years ended October 31, 2012 and 2011, respectively. In accordance with the changes in the primary operations of the Company during the fourth quarter of fiscal year 2012, we are no longer incurring research and development expenses. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" below and our Consolidated Financial Statements.

Employees

As of December 31, 2012, we had 7 full-time employees.

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Regulation

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

Other

On November 30, 2012, our stockholders' approved an amendment to our certificate of incorporation to increase the number of shares of common stock we are authorized to issue from 240 million to 300 million.

We were incorporated on November 5, 1982 under the laws of the State of Delaware. Our principal executive offices are located at 900 Walt Whitman Road, Melville, New York 11747, our telephone number is 631-549-5900, and our Internet website address is www.copytele.com. We make available free of charge on or through our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements on Schedule 14A, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the Securities and Exchange Commission (the "Commission"). Alternatively, you may also access our reports at the SEC's website at www.sec.gov. You may also read and copy any document we file with the SEC at the SEC's public reference room located at 100 F Street, NE, Washington, DC 20549, on official business days during the hours of 10:00 a.m. and 3:00 p.m. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room.

Financial Information About Segments and Geographical Areas

See our Consolidated Financial Statements.

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Item 1A. Risk Factors.

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

Risks Related to Our Financial Condition and Operations

We have a history of losses and may incur additional losses in the future.

On a cumulative basis we have sustained substantial losses and negative cash flows from operations since our inception. As of October 31, 2012, our accumulated deficit was approximately $125,083,000. As of October 31, 2012, we had approximately $840,000 in cash, cash equivalents and short-term investments on hand, and negative working capital of approximately $900,000. We expect to continue incurring significant legal and general and administrative expenses in connection with our operations. As a result, we anticipate that we may incur losses in the future.

We may need additional funding in the future which may not be available on acceptable terms and, if available, may result in dilution to our stockholders, and the report from our independent registered public accountants includes an uncertainty paragraph regarding our ability to continue as a going concern.

Based on currently available information, we believe that our existing cash, cash equivalents, and short-term investments, together with expected cash flows from patent licensing and enforcement, and other potential sources of cash flow may not be sufficient to enable us to continue our patent licensing and enforcement activities for at least 12 months. However, our projections of future cash needs and cash flows may differ from actual results. If current cash on hand and cash that may be generated from patent licensing and enforcement activities are insufficient to satisfy our liquidity requirements, we may seek to sell our investment securities or other financial assets

or our debt or additional equity securities or obtain loans from various financial institutions where possible. The sale of additional equity securities or securities convertible into or exercisable for equity securities could result in dilution to our shareholders. We can give no assurance that we will generate sufficient cash flows in the future (through licensing and enforcement of patents, or otherwise) to satisfy our liquidity requirements or sustain future operations, or that other sources of funding, such as sales of equity or debt, would be available, if needed, on favorable terms or at all. If we cannot obtain such funding if needed or if we cannot sufficiently reduce operating expenses, we would need to curtail or cease some or all of our operations.

As shown in the accompanying consolidated financial statements, we have incurred a net loss of approximately $4,253,000 during the fiscal year ended October 31, 2012, and, as of that date, we have an accumulated deficit of approximately $125,083,000 and a net shareholders' equity deficit of approximately $1,194,000. These and the other factors described herein raise uncertainty about our ability to continue as a going concern. Management's plans in regard to these matters are set forth above. The accompanying financial statements have been prepared assuming that we will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty. The report from our independent registered public accountants, KPMG LLP, dated January 29, 2013, includes an explanatory paragraph related to our ability to continue as a going concern.

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If we encounter unforeseen difficulties with our business or operations in the future that require us to obtain additional working capital, and we cannot obtain additional working capital on favorable terms, or at all, our business may suffer.

Our consolidated cash, cash equivalents and short-term investments on hand totaled approximately $840,000 and $3,023,000 at October 31, 2012 and 2011, respectively. To date, we have relied primarily upon cash from our operations and from the public and private sale of equity securities to generate the working capital needed to finance our operations.

We may encounter unforeseen difficulties with our business or operations in the future that may deplete our capital resources more rapidly than anticipated. As a result, we may be required to obtain additional working capital in the future through bank credit facilities, public or private debt or equity financings, or otherwise. If we are required to raise additional working capital in the future, such financing may be unavailable to us on favorable terms, if at all, or may be dilutive to our existing stockholders. If we fail to obtain additional working capital as and when needed, such failure could have a material adverse impact on our business, results of operations and financial condition.

Failure to effectively manage our potential growth could place strains on our managerial, operational and financial resources and could adversely affect our business and operating results.

Our potential growth is expected to place a strain on our managerial, operational and financial resources and systems. Further, as our business grows, we will be required to manage multiple relationships. Any growth by us, or an increase in the number of our strategic relationships, may place additional strain on our managerial, operational and financial resources and systems. Although we may not grow as we expect, if we fail to manage our growth effectively or to develop and expand our managerial, operational and financial resources and systems, our business and financial results will be materially harmed.

Our future success depends on our ability to expand our organization.

As we grow, the administrative demands upon us will grow, and our success will depend upon our ability to meet those demands. These demands include increased accounting, management, legal services, staff support, and general office services. We may need to hire additional qualified personnel to meet these demands, the cost and quality of which is dependent in part upon market factors outside of our control. Further, we will need to effectively manage the training and growth of our staff to maintain an efficient and effective workforce, and our failure to do so could adversely affect our business and operating results.

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Our investments are subject to risks, which may cause us to incur losses or have reduced liquidity.

The capital and credit markets have been experiencing extreme volatility and disruption since 2008, and at times, the volatility and disruption have reached unprecedented levels. In some cases, the markets have exerted downward pressure on stock prices and credit capacity for certain issuers. Although economic conditions appear to be improving, if the current capital and credit markets do not continue to improve or further deteriorate, we may be unable to liquidate a particular issue. Furthermore, if economic conditions do not continue to improve, or if they further deteriorate, we may be required to record additional impairment charges in a future period despite our ability to hold such investments until maturity.

Our equity arrangements with Videocon involve market risks.

At the same time as we entered into the Videocon License Agreement, we entered into the Share Subscription Agreement with Mars Overseas, to purchase the 20,000,000 CopyTele Shares, and our subsidiary, CopyTele International, entered into the GDR Purchase Agreement to purchase the 1,495,845 Videocon GDRs. The value of the Videocon GDRs owned by us depends upon, among other things, the value of Videocon's securities in its home market of India, as well as exchange rates between the U.S. dollar and Indian rupee (the currency in which Videocon's securities are traded in its home market). Based on both the duration and the continuing magnitude of the market price declines and the uncertainty of recovery, we recorded other than temporary impairments as of October 31, 2009 and 2011. We can give no assurances that the value of the Videocon GDRs will not decline in the future and future write downs may occur.

In addition, for the purpose of effecting a lock up of the Videocon GDRs and CopyTele Shares (collectively, the "Securities") for a period of seven years, and therefore restricting both parties from selling or transferring the Securities during such period, CopyTele International and Mars Overseas entered into two Loan and

Pledge Agreements. The Videocon GDRs are to be held as security for a loan in the principal amount of $5,000,000 from Mars Overseas to CopyTele International, and the CopyTele Shares are similarly held as security for a loan in the principal amount of $5,000,000 from CopyTele International to Mars Overseas. The loans are for a term of seven years, do not bear interest and prepayment of the loans will not release the lien on the Securities prior to the end of the seven year period. The loan agreements also provide for customary events of default which may result in forfeiture of the Securities by the defaulting party. We can give no assurances that the respective parties receiving such loans will not default on such loans.

Risks Related to Patent Monetization and Patent Assertion Activities

We may not be able to monetize our patent portfolios.

As we recently announced, the primary operations of the Company going forward will be Patent Monetization and Patent Assertion. We expect to first generate revenues and related cash flows from the licensing and enforcement of patents that we currently own and we expect to obtain the rights to license and enforce additional patents from third parties. However, we can give no assurances that we will be able to identify opportunities to exploit such patents or that such opportunities, even if identified, will generate sufficient revenues to sustain future operations.

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Certain of our patent portfolios are subject to existing license agreements with AUO and Videocon which may limit our ability to monetize them.

In the course of entering into the EPD License Agreement and the Nano Display License Agreement with AUO, and the Videocon License Agreement with Videocon, certain rights to our ePaper® Display patents were licensed to AUO, and certain rights to our nFED Display patents were licensed to AUO and Videocon, respectively. We have terminated the EPD License Agreement and the Nano Display License Agreement with AUO although we can give no assurance that AUO will not challenge the effectiveness of such terminations, and we are engaged in discussions with Videocon with respect to the Videocon License Agreement. We intend to take the steps necessary to seek to remove any encumbrances that may inhibit our patent licensing and enforcement efforts; however, we can give no assurance that the ePaper® Display patents and the nFED patents will be unencumbered. If the patent portfolios remain encumbered or if our termination of the AUO license agreements are deemed to be ineffective, it could limit our ability to monetize such portfolios.

While we recently commenced lawsuits against AUO and E Ink, we may not be successful in obtaining judgments in our favor.

While we recently filed the AUO/E Ink Lawsuit and the E Ink Lawsuit, we can give no assurance that these lawsuits will be decided in our favor or even if they are that the damages and other remedies will be material.

Our revenues are unpredictable, and this may harm our financial condition.

Due to the nature of the licensing business and uncertainties regarding the amount and timing of the receipt of license and other fees from potential infringers, stemming primarily from uncertainties regarding the outcome of enforcement actions, rates of adoption of our patented technologies, the growth rates of potential licensees and certain other factors, our revenues may vary significantly from quarter to quarter, which could make our business difficult to manage, adversely affect our business and operating results, cause our quarterly results to fall below market expectations and adversely affect the market price of our common stock.

Our success depends in part upon our ability to retain the best legal counsel to represent us in patent enforcement litigation.

The success of our licensing business depends upon our ability to retain the best legal counsel to prosecute patent infringement litigation. As our patent enforcement actions increase, it will become more difficult to find the best legal counsel to handle all of our cases because many of the best law firms may have a conflict of interest that prevents their representation of us.

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We, in certain circumstances, rely on representations, warranties and opinions made by third parties that, if determined to be false or inaccurate, may expose us to certain material liabilities.

From time to time, we may rely upon the opinions of purported experts. In certain instances, we may not have the opportunity to independently investigate and verify the facts upon which such opinions are made. By relying on these opinions, we may be exposed to liabilities in connection with the licensing and enforcement of certain patents and patent rights which could have a material adverse effect on our operating results and financial condition.

Once we commence Patent Monetization and Patent Assertion, we may become subject to claims and counterclaims by third parties.

As we become engaged in the business of Patent Monetization and Patent Assertion, we may be subject to claims, counterclaims and legal actions that arise in the ordinary course of business and which could have a material impact on our operation and financial condition. In connection with any of patent enforcement actions, it is also possible that a defendant may request and/or a court may rule that we have violated statutory authority, regulatory authority, federal rules, local court rules, or governing standards relating to the substantive or procedural aspects of such enforcement actions. In such event, a court may issue monetary sanctions against us or award attorney's fees and/or expenses to a defendant(s), which could be material.

Our exposure to uncontrollable outside influences, including new legislation, court rulings or actions by the United States Patent and Trademark Office, could adversely affect our Patent Monetization and Patent Assertion business and results of operations.

Our Patent Monetization and Patent Assertion business is subject to numerous risks from outside influences, including the following:

New legislation, regulations or rules related to obtaining patents or enforcing patents could significantly increase our operating costs and decrease our revenue.

We may apply for patents and may spend a significant amount of resources to enforce those patents. If new legislation, regulations or rules are implemented either by Congress, the U.S. Patent and Trademark Office ("USPTO"), or the courts that impact the patent application process, the patent enforcement process or the rights of patent holders, these changes could negatively affect our expenses and revenue. For example, new rules regarding the burden of proof in patent enforcement actions could significantly increase the cost of our enforcement actions, and new standards or limitations on liability for patent infringement could negatively impact our revenue derived from such enforcement actions.

Trial judges and juries often find it difficult to understand complex patent enforcement litigation, and as a result, we may need to appeal adverse decisions by lower courts in order to successfully enforce our patents.

It is difficult to predict the outcome of patent enforcement litigation at the trial level. It is often difficult for juries and trial judges to understand complex, patented technologies, and as a result, there is a higher rate of successful appeals in patent enforcement litigation than more standard business litigation. Such appeals are expensive and time consuming, resulting in increased costs and delayed revenue. Although we diligently pursue enforcement litigation, we cannot predict with significant reliability the decisions made by juries and trial courts.

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More patent applications are filed each year resulting in longer delays in getting patents issued by the USPTO.

We hold a number of pending patents. We have identified a trend of increasing patent applications each year, which we believe is resulting in longer delays in obtaining approval of pending patent applications. The application delays could cause delays in recognizing revenue from these patents and could cause us to miss opportunities to license patents before other competing technologies are developed or introduced into the market.

U.S. Federal courts are becoming more crowded, and as a result, patent enforcement litigation is taking longer.

Patent enforcement actions are almost exclusively prosecuted in U.S. Federal court. Federal trial courts that hear patent enforcement actions also hear criminal cases. Criminal cases always take priority over patent enforcement actions. As a result, it is difficult to predict the length of time it will take to complete an enforcement action. Moreover, we believe there is a trend in increasing numbers of civil lawsuits and criminal proceedings before United States Judges, and as a result, we believe that the risk of delays in patent enforcement actions will have a significant effect on our business in the future unless this trend changes.

Any reductions in the funding of the USPTO could have an adverse impact on the cost of processing pending patent applications and the value of those pending patent applications.

Our primary asset is our patent portfolios, including pending patent applications before the USPTO. The value of our patent portfolios is dependent upon the issuance of patents in a timely manner, and any reductions in the funding of the USPTO could negatively impact the value of our assets. Further, reductions in funding from Congress could result in higher patent application filing and maintenance fees charged by the USPTO, causing an unexpected increase in our expenses.

Competition is intense in the industries in which we do business and as a result, we may not be able to grow or maintain our market share for our technologies and patents.

Our licensing business may compete with venture capital firms and various industry leaders for technology licensing opportunities. Many of these competitors may have more financial and human resources than we do. As we become more successful, we may find more companies entering the market for similar technology opportunities, which may reduce our market share in one or more technology industries that we currently rely upon to generate future revenue.

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Our patented technologies face uncertain market value.

Many of our patents and technologies are in the early stages of adoption in the commercial and consumer markets. Demand for some of these technologies is untested and is subject to fluctuation based upon the rate at which our licensees will adopt our patents and technologies in their products and services.

As patent enforcement litigation becomes more prevalent, it may become more difficult for us to voluntarily license our patents.

We believe that the more prevalent patent enforcement actions become, the more difficult it will be for us to voluntarily license our patents. As a result, we may need to increase the number of our patent enforcement actions to cause infringing companies to license the patent or pay damages for lost royalties. This may increase the risks associated with an investment in our company.

Uncertainty in global economic conditions could negatively affect our business, results of operations and financial condition.

Our revenue-generating opportunities depend on the use of our patented technologies by existing and prospective licensees, the overall demand for the products and services of our licensees, and on the overall economic and financial health of our licensees. Although economic conditions appear to be improving, recent uncertainties in global economic conditions have resulted in a tightening of the credit markets, a low level of liquidity in many financial markets, and extreme volatility in the credit, equity and fixed income markets. If economic conditions do not continue to improve, or if they further deteriorate, many of our licensees' potential customers, which may rely on credit financing, may delay or reduce their purchases of our licensees' products and services. In addition, the use or adoption of our patented technologies is often based on current and forecasted demand for our licensees' products and services in the marketplace and may require companies to make significant initial commitments of capital and other resources. If negative conditions in the global credit markets delay or prevent our licensees' and their potential customers' access to credit, overall consumer spending on the products and services of our licensees may decrease and the potential adoption or use of our patented technologies may slow, respectively. Further, if the markets in which our licensees' intend to participate do not continue to improve, or deteriorate further, this could negatively impact our licensees' long-term sales and revenue generation, margins and operating expenses, which could in turn have an adverse effect on our future business, results of operations and financial condition.

In connection with patent enforcement actions conducted by us, a court may rule that we have violated certain statutory, regulatory, federal, local or governing rules or standards, which may expose us to certain material liabilities.

In connection with any of our patent enforcement actions, it is possible that a defendant may request and/or a court may rule that we have violated statutory authority, regulatory authority, federal rules, local court rules, or governing standards relating to the substantive or procedural aspects of such enforcement actions. In such event, a court may issue monetary sanctions against us or award attorney's fees and/or expenses to a defendant(s), which could be material, and if we are required to pay such monetary sanctions, attorneys' fees and/or expenses, such payment could materially harm our operating results and our financial position.

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

Our future success to monetize our patent portfolios will depend on the efforts of our President and Chief Executive Officer, Robert A. Berman, and our Senior Vice President – Engineering, John Roop, and our strategic advisor, Dr. Amit Kumar. We do not maintain “key person” life insurance on Messrs. Berman or Roop or Dr. Kumar. The loss of the services of any such persons could have a material adverse effect on our business and operating results.

Risks Related to Our Common Stock

The availability of shares for sale in the future could reduce the market price of our common stock.

In the future, we may issue securities to raise cash for operations and acquisitions. We have and in the future may issue securities convertible into our common stock. Any of these events may dilute stockholders' ownership interests in our company and have an adverse impact on the price of our common stock.

In addition, sales of a substantial amount of our common stock in the public market, or the perception that these sales may occur, could reduce the market price of our common stock. This could also impair our ability to raise additional capital through the sale of our securities.

We have a limited number of common shares available for future issuance which could adversely affect our ability to raise capital.

We are authorized to issue 300,000,000 shares of common stock. As of January 25, 2013, we have outstanding 185,104,037 shares of common stock or 280,532,256 shares of common stock after giving effect to the assumed exercise of all outstanding warrants and options and assumed conversion of convertible debentures. Due to the limited number of authorized shares available for issuance, we may not able to raise significant additional capital until we increase the number of shares we are authorized to issue. To facilitate the possibility and flexibility of raising of additional capital or the completion of potential acquisitions of patent portfolios, we will seek stockholder approval to increase the number of our authorized shares of common stock. We can provide no assurance that stockholders will approve an amendment to our certificate of incorporation to increase the number of shares of common stock we are authorized to issue. If we require additional capital and we are unable to obtain stockholder approval of increase the number of shares of common stock, we would need to curtail or cease some or all of our operations.

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Delaware law and our charter documents contain provisions that could discourage or prevent a potential takeover of our company that might otherwise result in our stockholders receiving a premium over the market price of their shares.

Provisions of Delaware law and our certificate of incorporation and bylaws could make the acquisition of our company by means of a tender offer, proxy contest or otherwise, and the removal of incumbent officers and directors, more difficult. These provisions include:

- Section 203 of the Delaware General Corporation Law, which prohibits a merger with a 15%-or-greater stockholder, such as a party that has completed a successful tender offer, until three years after that party became a 15%-or-greater stockholder;

- The authorization in our certificate of incorporation of undesignated preferred stock, which could be issued without stockholder approval in a manner designed to prevent or discourage a takeover; and

- Provisions in our bylaws regarding stockholders' rights to call a special meeting of stockholders limit such rights to stockholders holding together at least a majority of shares of the Company entitled to vote at the meeting, which could make it more difficult for stockholders to wage a proxy contest for control of our board of directors or to vote to repeal any of the anti-takeover provisions contained in our certificate of incorporation and bylaws.

Together, these provisions may make the removal of management more difficult and may discourage transactions that could otherwise involve payment of a premium over prevailing market prices for our common stock.

We may fail to meet market expectations because of fluctuations in quarterly operating results, which could cause the price of our common stock to decline.

Our reported revenues and operating results have fluctuated in the past and may continue to fluctuate significantly from quarter to quarter in the future. It is possible that in future periods, revenues could fall below the expectations of securities analysts or investors, which could cause the market price of our common stock to decline. The following are among the factors that could cause our operating results to fluctuate significantly from period to period:

- the dollar amount of agreements executed in each period, which is primarily driven by the nature and characteristics of the technology being licensed and/or the magnitude of infringement associated with a specific licensee;
- the specific terms and conditions of agreements executed in each period and/or the periods of infringement contemplated by the respective payments;
- fluctuations in the total number of agreements executed;
- fluctuations in the sales results or other royalty-per-unit activities of our licensees that impact the calculation of license fees due;
- the timing of the receipt of periodic license fee payments and/or reports from licensees;
- fluctuations in the net number of active licensees period to period;
- costs related to acquisitions, alliances, licenses and other efforts to expand our operations;
- the timing of payments under the terms of any customer or license agreements into which we may enter; and
- expenses related to, and the timing and results of, patent filings and other enforcement proceedings relating to intellectual property rights, as more fully described in this section.

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Technology company stock prices are especially volatile, and this volatility may depress the price of our common stock.

The stock market has experienced significant price and volume fluctuations, and the market prices of technology companies have been highly volatile. We believe that various factors may cause the market price of our common stock to fluctuate, perhaps substantially, including, among others, the following:

- announcements of developments in our patent enforcement actions;
- developments or disputes concerning our patents;
- our or our competitors' technological innovations;
- developments in relationships with licensees;
- variations in our quarterly operating results;
- our failure to meet or exceed securities analysts' expectations of our financial results;
- a change in financial estimates or securities analysts' recommendations;
- changes in management's or securities analysts' estimates of our financial performance;
- changes in market valuations of similar companies;
- the current sovereign debt crises affecting several countries in the European Union and concerns about sovereign debt of the United States;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures, capital commitments, new technologies, or patents; and
- failure to complete significant transactions.

The financial crisis affecting the banking system and financial markets and the uncertainty in global economic conditions, which began in late 2007 has resulted in a tightening in the credit markets, a low level of liquidity in many financial markets, and extreme volatility in the credit, equity and fixed income markets. As noted above, our stock price, like many others, has fluctuated significantly in recent periods and if investors have concerns that our business, operating results and financial condition will be negatively impacted by global economic conditions, our stock price could continue to fluctuate significantly in future periods.

In addition, we believe that fluctuations in our stock price during applicable periods can also be impacted by court rulings and/or other developments in our patent licensing and enforcement actions. Court rulings in patent enforcement actions are often difficult to understand, even when favorable or neutral to the value of our patents and our overall business, and we believe that investors in the market may overreact, causing fluctuations in our stock prices that may not accurately reflect the impact of court rulings on our business operations and assets.

In the past, companies that have experienced volatility in the market price of their stock have been the objects of securities class action litigation. If our common stock was the object of securities class action litigation, it could result in substantial costs and a diversion of management's attention and resources, which could materially harm our business and financial results.

Our common stock is subject to the Commission's penny stock rules which may make our shares more difficult to sell.

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

We do not anticipate declaring any cash dividends on our common stock.

We have never declared or paid cash dividends on our common stock and do not plan to pay any cash dividends in the near future. Our current policy is to retain all funds and any earnings for use in the operation and expansion of our business. If we do not pay dividends, our stock may be less valuable to you because a return on your investment will only occur if our stock price appreciates.

The Securities issued in our recent private placements may dilute your percentage ownership interest and may also result in downward pressure on the price of our common stock.

In connection with our private placements in September 2012 and January 2013, we issued convertible debentures and warrants which are convertible into or exercisable for an aggregate of 17,650,000 shares of our common stock. If all such shares of common stock were issued, our stockholders would experience a dilution in ownership interest of approximately 8.7%. In addition, as we are required to register these shares for resale by the holders, it is possible that a significant number of shares could be sold at the same time. Because the market for our common stock is thinly traded, the sales and/or the perception that those sales may occur, could adversely affect the market price of our common stock. Furthermore, the mere existence of a significant number of shares of common stock issuable upon conversion of the debentures or the exercise warrants may be perceived by the market as having a potential dilutive effect, which could lead to a decrease in the price of our common stock.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We lease approximately 12,000 square feet of office and laboratory research facilities at 900 Walt Whitman Road, Melville, New York (our principal offices) from an unrelated party pursuant to a lease that expires November 30, 2014. Our base rent is approximately $312,000 per annum and the lease provides an escalation clause for increases in certain operating costs. See Note 7 to our Consolidated Financial Statements.

We have begun to vacate and return certain portions of our facilities to the landlord for possible re-letting.

Item 3. Legal Proceedings.

On January 28, 2013, we filed a lawsuit in the United States Federal District Court for the Northern District of California against AUO and E Ink in connection with the EPD License Agreement and the Nano Display License Agreement, alleging breach of contract, breach of the implied covenant of good faith and fair dealing, fraudulent inducement, unjust enrichment, unfair business practices, attempted monopolization, and other charges, and we are seeking compensatory, punitive, and treble damages. A copy of the Complaint filed in the AUO/E Ink Lawsuit is available at www.CopyTele.com.

In addition to numerous and continual material breaches by AUO of the EPD License Agreement, and the Nano Display License Agreement, the Complaint alleges that AUO and E Ink conspired to obtain rights to CTI's ePaper® Electrophoretic Display technology, and CTI's Nano Field Emission Display technology, through an elaborate scheme whereby AUO obtained certain rights to the technologies under the guise of jointly developing products with CTI, which products would compete with certain products manufactured by AUO and certain products manufactured and sold by E Ink. Instead of jointly developing products with CTI and competing with E Ink, AUO clandestinely agreed to sell its electrophoretic display business to E Ink, and attempted to include a license to CTI's ePaper® Electrophoretic Display technology as part of the sale, with CTI receiving no consideration. CTI alleges that such activities violated several State and Federal anti-trust and unfair competition statutes for which punitive and/or treble damages are applicable.

On January 28, 2013, we also filed a separate lawsuit against E Ink for patent infringement. See "Item 1. Business – CTI's Patent Portfolios – Patent Monetization and Patent Assertion Actions".

Other than the foregoing, we are not a party to any material pending legal proceedings. We are party to claims and complaints that arise in the ordinary course of business. We believe that any liability that may ultimately result from the resolution of these matters will not, individually or in the aggregate, have a material adverse effect on our financial position or results of operations.

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PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock trades on the Over-the-Counter Bulletin Board (the "OTCBB") under the symbol "COPY". The high and low sales prices as reported by the OTCBB for each quarterly fiscal period during our fiscal years ended October 31, 2012 and 2011 have been as follows:

Fiscal Period	High	Low
4th quarter 2012	$ 0.34	$ 0.07
3rd quarter 2012	0.16	0.08
2nd quarter 2012	0.29	0.10
1st quarter 2012	0.17	0.10
4th quarter 2011	$ 0.25	$ 0.13
3rd quarter 2011	0.50	0.17
2nd quarter 2011	0.35	0.13
1st quarter 2011	0.35	0.15

Holders

As of January 22, 2013, the approximate number of record holders of our common stock was 1,149 and the closing price of our common stock was $0.215 per share.

Securities Authorized for Issuance Under Equity Compensation Plans

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

Dividend Policy

No cash dividends have been paid on our common stock since our inception. We have no present intention to pay any cash dividends in the foreseeable future.

Recent Sales of Unregistered Securities

On February 8, 2011, we sold 7,000,000 unregistered shares of our common stock in a private placement to 10 accredited investors, including Denis A. Krusos, the Company's former Chairman and Chief Executive Officer, Henry P. Herms, the Company's Chief Financial Officer and a director, and Lewis H. Titterton, a director and now the current Chairman, and George P. Larounis, former director of the Company, at a price of $0.1786 per share, or proceeds of $1,250,000. In conjunction with the sale of the common stock, we issued the investors warrants to purchase 7,000,000 unregistered shares of our common stock. Each warrant grants the holder the right to purchase one share of our common stock (or 7,000,000 shares of common stock in the aggregate) at the purchase price of $0.1786 per share on or before February 8, 2016. Certain of the investors are officers and/or directors of the Company and the warrants issued to such persons included a "cashless exercise" provision.

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On September 12, 2012, we completed a private placement with 5 accredited investors, including Lewis H. Titterton, the Company's Chairman and then Chief Executive Officer, and Bruce Johnson, a director of the Company (the "Investors"), pursuant to which we sold $750,000 principal amount of 8% Convertible Debentures due 2016 (the "Debentures"). The Debentures mature on September 12, 2016, bear interest at the rate of 8% payable quarterly and are convertible into shares (the "Conversion Shares") of our common stock of the Company, and at a price per share of $0.092. The Company may prepay the Debentures at any time without penalty upon 30 days prior notice. The Debentures also provide for events of default which, if any of them occurs, would permit the principal of and accrued interest on the Debentures to become or to be declared due and payable, unless the event of default has been cured or the holder of the Debenture has waived in writing the event of default. The Company granted the holders customary piggy-back registration rights. If all of the Debentures are converted, the Company would issue 10,870 shares of its common stock for each $1,000 principal amount of Debentures or 8,152,174 shares of its common stock in the aggregate.

On September 19, 2012, the Board granted stock options to purchase 41.5 million shares. Of these options, options to acquire 40 million shares were issued to the new management team and have an exercise price of $0.2175. Twenty million of those options will vest only if certain milestones are met. The remaining options to acquire 1.5 million shares were issued to Lewis H. Titterton, the Company's Chairman, and Kent Williams, a director of the Company and have an exercise price of $0.2225. For additional information with respect to the options, see "Item 12 – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters – Executive Compensation – Equity Compensation Plan Information" below.

On January 25, 2013 (the "Closing Date"), we completed a private placement with 20 accredited investors, including Robert A. Berman, the Company's President, Chief Executive Officer and a director, Dr. Amit Kumar, a consultant and director of the Company, and Bruce Johnson, a director of the Company (the "Investors"), pursuant to which we sold $1,765,000 principal amount of 8% Convertible Debentures due 2015 (the "Debentures") and warrants (the "Warrants") to purchase 5,882,745 shares of common stock of the Company, par value $0.01 per share (the "Warrant Shares"). The Debentures mature on January 25, 2015, bear interest at the rate of 8% payable quarterly and are convertible into shares (the "Conversion Shares") of our common stock at a price per share of $0.15. The Company may prepay the Debentures at any time without penalty upon 30 days prior notice, but only if the sales price of the common stock on the principal market on which the common stock is primarily listed and quoted for trading is at least $0.30 for 20 trading days in any 30-day trading period ending no more than 15 days before the Company's prepayment notice.

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The Debentures contain full ratchet anti-dilution protection which means, that, subject to certain exceptions, if the Company sells shares of common stock (or securities convertible or exchangeable into common stock) at an effective price of less than $0.15 per share of common stock, the conversion price of the Debentures will be reduce to such lower effective sales price." The Debentures also provide for events of default which, if any of them occurs, would permit the principal of and accrued interest on the Debentures to become or to be declared due and payable, unless the event of default has been cured or the holder of the Debenture has waived in writing the event of default. If all of the Debentures are converted, the Company would issue 6,667 shares of common stock for each $1,000 principal amount of Debentures or 11,767,255 shares of its common stock in the aggregate. For each $1,000 principal amount of Debentures, the Company issued a Warrant to purchase 3,333 shares of common stock. Each Warrant grants the holder the right to purchase the Warrant Shares at the purchase price per share of $0.30 on or before January 25, 2016. If there is not an effective registration statement covering the Warrant Shares, the Warrants may be exercised on a cashless basis.

Pursuant to the Debentures and Warrants, no Investor may convert or exercise such Investor's Debenture or Warrant if such conversion or exercise would result in the Investor beneficially owning in excess of 4.99% of our then issued and outstanding common stock. A holder may, however, increase this limitation (but in no event exceed 9.99% of the number of shares of common stock issued and outstanding) by providing the Company with 61 days' notice that such holder wishes to increase this limitation.

In connection with this offering, the Company granted each Investor registration rights with respect to the Conversion Shares and the Warrant Shares. The Company is obligated to use its reasonable best efforts to cause a registration statement registering for resale the Conversion Shares and the Warrant Shares to be filed no later than 90 days from the Closing Date and must be declared effective no later than 180 days from the Closing Date. The Company is required to use it reasonable best efforts to keep the registration statement effective date until the Conversion Shares and the Warrant Shares can be sold under Rule 144(k) of the Securities Act or such earlier date when all Conversion Shares and the Warrant Shares have been sold publicly; provided, however, the Company shall not be required to keep the Registration Statement effective for a period of more than three years from the Closing Issuance Date. If a registration statement covering the resale of the Conversion Shares is not filed within the 90-day period (the "Filing Default"), then on the date of the Filing Default and on each monthly anniversary (if the Filing Default has not been cured by such date) until the Filing Default is cured, the Company shall pay in cash to each Debenture holder liquidated damages equal to 1.0% of the aggregate purchase price paid by such holder for such Debentures then held by such holder. The liquidated damages will apply on a daily pro-rata basis for any portion of a month prior to curing of the Filing Default. The Company will not be liable for liquidated damages with respect to Warrant Shares.

In connection with this offering we paid The Benchmark Company LLC, as placement agent, a cash placement fee of $41,400 (or 6% of the aggregate purchase price from the investors they introduced to us) and issued to them warrants to purchase 276,000 shares of common stock (or 6% of the aggregate number of shares underlying the Debentures issued to the investors they introduced to us) upon the same terms as the Warrants issued in the offering.

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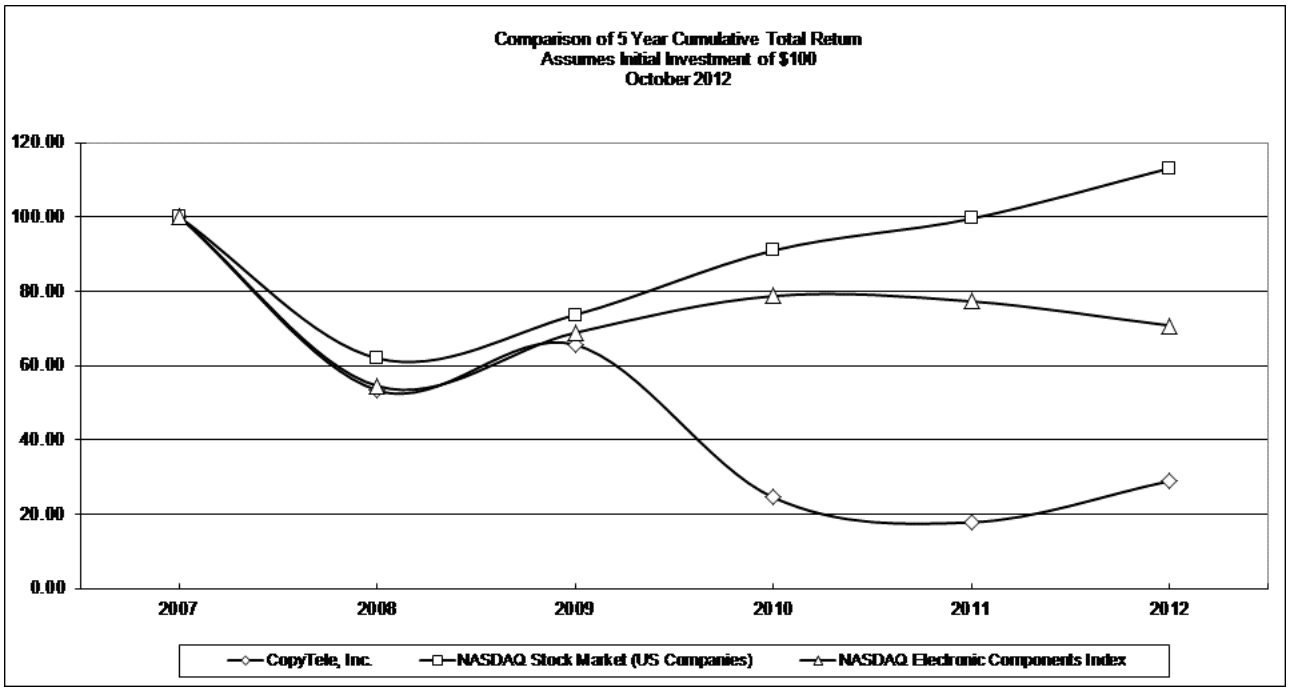
The issuances of the securities referred to above (i) were not registered under the Securities Act of 1933, as amended, in reliance on an exemption from registration under Section 3(b) or Section 4(2) of the Act, and Rule 506 promulgated thereunder, based on the fact that all of the investors are "accredited investors," as such term is defined in Rule 501 of Regulation D and (ii) were not subject to any underwriting discounts or commissions.

Stockholder Return Performance Graph

Set forth below is a graph showing the five-year cumulative total return for: (i) our common stock; (ii) The Nasdaq Stock Market U.S. Index, a broad market index covering shares of common stock of domestic companies that are listed on The Nasdaq Stock Market ("Nasdaq"); and (iii) The Nasdaq Electronic Components Stock Index, a group of companies that are engaged in the manufacture of electronic components and related accessories with a Standard Industrial Classification Code of 367 and listed on Nasdaq.



		Fiscal Year Ended October 31					
		2007	2008	2009	2010	2011	2012
COPYTELE INC	Cum $	100.00	53.33	65.54	24.44	17.77	28.88
NASDAQ Stock Market (US Companies)	Cum $	100.00	61.93	73.63	90.96	99.54	113.10
NASDAQ Electronic Components Index	Cum $	100.00	54.48	68.82	78.69	77.26	70.76

The comparison of total return on investment for each fiscal year ended October 31 assumes that $100 was invested on November 1, 2007 in each of CopyTele, The Nasdaq Stock Market U.S. Index and The Nasdaq Electronic Components Index with investment weighted on the basis of market capitalization and all dividends reinvested.

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Issuer Purchases of Equity Securities

None.

Item 6. Selected Financial Data.

The following selected financial data has been derived from our audited Consolidated Financial Statements and should be read in conjunction with those statements, and the notes related thereto, which are included in this Annual Report on Form 10-K.

	As of and for the fiscal years ended October 31,				
	2012	2011	2010	2009	2008
Net revenue	$ 947,085	$ 1,003,193	$ 730,675	$ 1,055,797	$ 2,063,123
Cost of encryption products sold	3,873	34,081	38,441	27,861	95,594
Provision for excess inventory	-	-	43,866	19,627	-
Cost of display engineering services	-	-	-	18,200	-
Research and development expenses	2,211,506	3,124,773	3,007,459	4,116,200	4,127,393
Selling, general and administrative expenses	2,866,262	2,872,605	2,889,129	4,194,227	3,829,654
Impairment in value of available for sale securities	-	1,785,793	-	9,218,972	-
Interest expense	7,664	-	-	-	-
Dividend income	13,463	33,507	68,211	29,468	130,886
Interest income	3,458	2,516	4,878	20,807	37,028
Provision for income taxes	-	600,000	-	-	-
Net loss	(4,252,799)	(7,378,036)	(5,175,131)	(16,489,015)	(5,821,604)

Net loss per share of common stock – basic and diluted	($.02)	($.04)	($.03)	($.12)	($.05)
Total assets	5,660,676	8,645,832	10,046,076	9,848,446	7,497,869
Long term obligations	32,273	-	-	-	-
Shareholders' equity	(1,194,056)	1,058,033	4,595,955	4,452,272	1,730,277
Cash dividends per share of common stock	-	-	-	-	-

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

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

General

As used herein, "we," "us," "our," the "Company", "CopyTele" or "CTI" means CopyTele, Inc. unless otherwise indicated. CTI currently owns 53 U.S. patents and 11 U.S. patent applications. Our principal operations include the development, acquisition, licensing, and enforcement of patented technologies. While in the past, the primary operations of the Company involved licensing in connection with and the development of patented technologies, the primary operations of the Company going forward will be patent licensing in connection with the unauthorized use of patented technologies and patent enforcement. We expect to first generate revenues and related cash flows from the licensing and enforcement of patents that we currently own. We are continuing to develop our patent portfolios through the filing and prosecution of patent applications and will initiate lawsuits, if necessary, to prevent the unauthorized use of our patented technologies. The changes in the primary operations of the Company included elimination of development efforts, accordingly, we are no longer incurring research and development expenses. Certain of our patents are encumbered due to arrangements previously entered into by the Company. Where we are able, we will take the steps necessary to remove any encumbrances that may inhibit our patent licensing and enforcement efforts. We expect to obtain the rights to license and enforce additional patents from third parties, and when necessary, will assist such parties in the further development of their patent portfolios through the filing of additional patent applications. In the ordinary course of our business we will likely initiate patent enforcement actions against unauthorized users of patented technologies on our own behalf and in conjunction with such third parties.

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We continue to look for opportunities to sell off our remaining inventory of encryption products and have arrangements to support those products as necessary in connection with any such sales. We do not anticipate developing any additional encryption products.

In connection with the change in the primary operations of the Company during the fourth quarter of fiscal year 2012, we have discontinued research and development activities, reduced our employee count from 19 to 7, and begun to vacate and return portions of our facilities to the landlord for possible re-letting.

Patent Monetization and Patent Assertion

Patent monetization is the generation of revenue and proceeds from patents and patented technologies ("Patent Monetization"). Patent assertion is a specialized type of Patent Monetization where a patent owner, or a representative of the patent owner, seeks to prohibit or collect royalties from the unauthorized manufacture, sale, and use of the owner's patented invention ("Patent Assertion"). CTI's new business model is Patent Monetization and Patent Assertion. We currently own 53 U.S. patents and 11 U.S. patent applications, which are mainly grouped into 4 patent portfolios: Key Based Encryption ("KB Encryption"); ePaper® Electrophoretic Display ("ePaper® Display"); Nano Field Emission Display ("nFED Display"); and Micro Electro Mechanical Systems Display ("MEMS Display").

Key Based Encryption

Portfolio covering the generation and management of encryption keys used for securing e-mail, text messages, data, voice and facsimile. This type of encryption technology is commonly used for cloud based storage and email archiving, to comply with HIPAA and other regulations regarding the safeguarding of personal information. KB Encryption can also be used for protecting sensitive cellular, satellite, and local area network communications.

ePaper® Electrophoretic Display

Fundamental portfolio covering the underlying chemistry, manufacturing, assembly, and internal operations of core electrophoretic technology used in the worlds' most popular eReader devices. Coverage includes both the particles, and the suspension, which are the primary elements used to create highly reflective grey scale images to simulate reading on paper.

Nano Field Emission Display

Portfolio covering a new type of flat panel display consisting of low voltage color phosphors, specially coated carbon nanotubes, nano materials to generate secondary electrons, and ionized noble gas, resulting in a bright, sharp, high contrast color image. Emerging technology that would result in a flat panel display utilizing less power, with better picture quality and lower manufacturing costs.

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Micro Electro Mechanical Systems Display

Portfolio covering vanadium dioxide coated pixels that electrically modulate light at extremely high speeds to form an image. Additional coverage on use of electrostatic force to move pixel sized membranes that create a color image. These are emerging, low voltage, display technologies with numerous potential commercial applications.

Patent Monetization and Patent Assertion Activities

On January 28, 2013, CTI initiated a patent infringement lawsuit in the United States District Court for the Northern District of California against E Ink, regarding certain patents owned by CTI pertaining to CTI's ePaper® Electrophoretic Display technology. CTI alleges that E Ink has infringed and continues to infringe such patents in connection with the manufacture, sale, use, and importation of electrophoretic displays.

Prior Agreements

AU Optronics Corp.

In May 2011, we entered into an Exclusive License Agreement (the "EPD License Agreement") and a License Agreement (the "Nano Display License Agreement") with AU Optronics Corp. ("AUO") (together the "AUO License Agreements"). Under the EPD License Agreement, we provided AUO with an exclusive, non-transferable, worldwide license of our E-Paper® Display patents and technology, in connection with AUO jointly developing products with CopyTele, including the right to sublicense the technology to third parties in connection with the joint development of such products. Under the Nano Display License Agreement, we provided AUO with a non-exclusive, non-transferable, worldwide license of our nFED Display patents and technology, in connection with AUO jointly developing products with CopyTele, with the right to consent to the granting of licenses of the technology to third parties.

On January 28, 2013, we sent AUO a notice, terminating the AUO License Agreements due to numerous alleged material and continual breaches of the agreements by AUO. On January 28, 2013, we also filed a lawsuit in the United States District Court for the Northern District of California against AUO and E Ink in connection with the AUO License Agreements, alleging breach of contract, breach of the implied covenant of good faith and fair dealing, fraudulent inducement, unjust enrichment, unfair business practices, attempted monopolization, and other charges, and we are seeking compensatory, punitive, and treble damages (the "AUO/E Ink Lawsuit"). A copy of the Complaint filed in the AUO/E Ink Lawsuit is available at www.CopyTele.com. For more details on the AUO/E Ink Lawsuit, please see "Item 3, Legal Proceedings" above in this Annual Report on Form 10-K. We can give no assurance as to the potential outcome of this litigation.

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Videocon Industries Limited

In November 2007, we entered into a Technology License Agreement (as amended in May 2008), (the "Videocon License Agreement") with Videocon. In April 2008, the Indian Government approved the Videocon License Agreement. Under the Videocon License Agreement, we provided Videocon with a non-transferable, worldwide license of our nFED Display technology, for Videocon to produce and market products incorporating nFED Displays. With the approval and support of Videocon, we entered into the Nano Display License Agreement for AUO to utilize their production facilities to produce nFED Displays for their own products and potentially for Videocon products. Additional licenses of the nFED Display technology require the joint agreement of CTI and Videocon, and may require the consent of AUO, depending upon the outcome of CTI's termination of the Nano Display License Agreement and the AUO/E Ink Lawsuit. We have entered into discussions with Videocon regarding the disposition of the Videocon License Agreement.

Under the terms of the Videocon License Agreement, we were scheduled to receive a license fee of $11 million from Videocon, payable in installments over a 27 month period and an agreed upon royalty from Videocon based on display sales by Videocon. The initial installment was received in May 2008 however; certain license fee payments were subsequently deferred. The deferral of the license fee payments is no longer in effect; however, we cannot give any assurance that additional license fees will be received. No such license fee payments were received from Videocon during the fiscal years ended October 31, 2012 and 2011. As of October 31, 2012, we have received aggregate license fee payments from Videocon of $3.2 million and $7.8 million remains owed to us.

At the same time we entered into the Videocon License Agreement in November 2007, we also entered into a Share Subscription Agreement (the "Share Subscription Agreement") with Mars Overseas Limited, an affiliate of Videocon ("Mars Overseas"). Under the Share Subscription Agreement, Mars Overseas purchased 20,000,000 unregistered shares of our common stock (the "CopyTele Shares") from us for an aggregate purchase price of $16,200,000. Also in November 2007, our wholly-owned subsidiary, CopyTele International Ltd. ("CopyTele International"), entered into a GDR 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.

For the purpose of effecting a lock up of the Videocon GDRs and CopyTele Shares (collectively, the "Securities") for a period of seven years, and therefore restricting both parties from selling or transferring the Securities during such period, CopyTele International and Mars Overseas entered into two Loan and Pledge Agreements in November 2007. The Videocon GDRs are to be held as security for a loan in the principal amount of $5,000,000 from Mars Overseas to CopyTele International, and the CopyTele Shares are similarly held as security for a loan in the principal amount of $5,000,000 from CopyTele International to Mars Overseas. The loans are for a period of seven years, do not bear interest, and prepayment of the loans will not release the lien on the Securities prior to end of the seven year period. The loan agreements provide for customary events of default, which may result in forfeiture of the Securities by the defaulting party, and 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 in respect of the Securities. The loan receivable from Mars Overseas is classified as a contra-equity under shareholders' equity in the accompanying consolidated balance sheet, because the loan receivable is secured by the CopyTele Shares and the Share Subscription Agreement and Loan and Pledge Agreement were entered into concurrently. We have entered into discussions with Videocon regarding the disposition of the Subscription Agreement, GDR Purchase Agreement, and Loan and Pledge Agreements. The outcome of these discussions and the disposition of the related assets and liabilities may have a material effect on our financial statements. We cannot presently estimate the timing or impact of any such resolution.

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Volga Svet Ltd.

In September 2009, we entered into a Technology License Agreement with Volga Svet Ltd., (the "Volga License Agreement") to produce and market our thin, flat, low voltage phosphor, Nano Displays in Russia. In addition, in September 2009, we entered into a separate agreement with Volga whereby we obtained a 19.9% ownership interest in Volga in exchange for 150,000 unregistered shares of our common stock. Since we do not anticipate that we will continue to develop our Nano Displays and have discontinued utilizing Volga for contract research and development work, we are re-evaluating the Volga License Agreement and our ownership interest in Volga.

ZQX Advisors LLC

In August of 2009, we initiated an evaluation of our ePaper® Electrophoretic Display technology under an Engagement Agreement with ZQX Advisors LLC ("ZQX") and took a 19.5% ownership interest in ZQX. On January 21, 2013, we terminated the Engagement Agreement with ZQX, but currently retain our 19.5% interest in ZQX.

Other

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

Critical Accounting Policies

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

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

Revenue Recognition

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

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We have assessed the revenue guidance of Accounting Standards Codification ("ASC") 605-25 "Multiple-Element Arrangements" ("ASC 605-25") to determine

whether multiple deliverables in our arrangements with AUO represent separate units of accounting. Under the AUO License Agreements, we received initial license fees of $3 million, of aggregate license fees of up to $10 million. The additional $7 million in license fees were payable upon completion of certain conditions for the respective technologies. We determined that the transfer of the licensed patents and technology and the effort involved in completion of the conditions for the respective technologies represent a single unit of accounting for each technology. Accordingly, using a proportional performance method, during the third quarter of fiscal year 2011 we began recognizing the $3 million initial license fees over the estimated periods that we expected to complete the conditions for the respective technologies. We have not recognized any portion of the $7 million of additional license fees as either deferred revenue or revenue as it was considered contingent revenue.

At each reporting period we assess the progress in completing our performance obligations under the AUO License Agreements and recognize license fee revenue over the remaining estimated period that we expect to complete the conditions for the respective technologies. On this basis, we reassessed the revenue recognition for the fourth quarter of fiscal year 2012 and, accordingly, revenue recognition under the AUO License Agreements has been suspended pending resolution of the AUO/E Ink Lawsuit. For more details on the AUO/E Ink Lawsuit, please see "Item 3, Legal Proceedings" above in this Annual Report on Form 10-K.

During the years ended October 31, 2012 and 2011 we recognized approximately $940,000 and $873,000, respectively, of license fee revenue from AUO. License fee payments received from AUO which are in excess of the amounts recognized as revenue (approximately $1,187,000 as of October 31, 2012) are recorded as non-refundable deferred revenue on the accompanying consolidated balance sheet. The AUO License Agreements also provide for the basis for royalty payments on future production, if any, by AUO to CTI, which we have determined represent separate units of accounting. We have not recognized any royalty income under the AUO License Agreements.

Investment Securities

We classify our investment securities in one of two categories: available-for-sale or held-to-maturity. Available-for-sale securities are recorded at fair value. Unrealized gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a component of accumulated other comprehensive income (loss) until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis. Dividend and interest income are recognized when earned.

We monitor the value of our investments for indicators of impairment, including changes in market conditions and the operating results of the underlying investment that may result in the inability to recover the carrying value of the investment. During the fourth quarter of fiscal year 2011, we determined that based on both the duration and the continuing magnitude of the market price decline and the uncertainty of its recoverability, there was an other than temporary impairment in both our Videocon and Digital Info Security Co. Inc. ("DISC") investments. During the fourth quarter of fiscal year 2012, we determined that the discontinuation of funding from CTI and lack of available financial information from Volga has impaired the value of our investment in Volga. We will record an additional impairment charge if and when we believe any such investment has experienced an additional decline that is other than temporary.

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Stock-Based Compensation

We account for stock options granted to employees and directors using the accounting guidance included in ASC 718 "Stock Compensation" ("ASC 718"). We recognize compensation expense for stock option awards on a straight-line basis over the requisite service period of the grant. We recorded stock-based compensation expense, related to stock options granted to employees and non-employee directors, of approximately $615,000 and $742,000 during fiscal years ended October 31, 2012 and 2011, respectively, in accordance with ASC 718. We account for stock options granted to consultants using the accounting guidance under ASC 505-50 "Equity-Based Payments to Non-Employees". See Note 2 to the Consolidated Financial Statements for additional information.

During the fourth quarter of fiscal year 2012 the company decreased the option price for options to purchase 1,840,000 shares from the original exercise price to $0.145 per share for eleven employees and recorded stock-based compensation expense related to this re-pricing of approximately $85,000.

We use the Black-Scholes pricing model in estimating the fair value of stock options which vest over a specific period of time or upon achieving cash milestones. For options vesting if the trading price of the Company's common stock exceeds price targets we use the Monte Carlo Simulation in estimating the fair value at grant date.

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

Results of Operations

In light of the change in our primary operations to Patent Monetization and Patent Assertion from research, development and licensing, the comparison of our results of operations may have limited future value

Fiscal Year Ended October 31, 2012 Compared to Fiscal Year Ended October 31, 2011

Net Revenue

Net revenue decreased by approximately $56,000 in fiscal year 2012, to approximately $947,000, as compared to approximately $1,003,000 in fiscal year 2011. In fiscal years 2012 and 2011, revenue from display technology license fees of approximately $940,000 and $873,000, respectively, related to the AUO License Agreements. See "- General" above in this Item 7. Revenue from sales of encryption products decreased approximately $124,000 in fiscal year 2012, to approximately $7,000, from approximately $131,000 in fiscal year 2011. Our encryption revenue has been limited and is sensitive to individual large transactions.

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Cost of Encryption Products Sold

The cost of encryption products sold decreased by approximately $30,000 in fiscal year 2012, to approximately $4,000, as compared to approximately $34,000 in fiscal year 2011. The cost of encryption products sold in fiscal year 2012 decreased principally due to the decrease in encryption products shipped.

Research and Development Expenses

Research and development expenses decreased by approximately $913,000 in fiscal year 2012, to approximately $2,212,000, from approximately $3,125,000 in fiscal year 2011. The decrease in research and development expenses was principally due to a decrease in employee compensation and related costs, other than stock option expense, of approximately $365,000 primarily related to employee bonuses, a decrease in outside research and development expense of approximately $236,000 primarily due to the discontinuation of funding to Volga, a decrease in employee stock option expense of approximately $143,000, a decrease of approximately $53,000 in engineering supplies, a decrease in travel expense of approximately $37,000 and a decrease of approximately $42,000 in consulting expense. In accordance with the changes in the primary operations of the Company during the fourth quarter of fiscal year 2012, we are no longer incurring research and development expenses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by approximately $7,000 to approximately $2,866,000 in fiscal year 2012, from approximately $2,873,000 in fiscal year 2011. The decrease in selling, general and administrative expenses was principally due to a decrease in employee compensation and related costs, other than stock option expense of approximately $168,000 primarily related to employee bonuses, offset by an increase of approximately $123,000 in consulting expense primarily related to consultant stock option expense and a decrease in the gain on the sale of Digital Info Security Co. Inc. (“DISC”) common stock of approximately $29,000.

Dividend Income

Dividend income, which was received in connection with the Videocon GDRs we acquired in December 2007, decreased by approximately $21,000 to approximately $13,000 in fiscal year 2012, compared to approximately $34,000 in fiscal year 2011. The decrease in dividend income was due to a decrease by Videocon of dividends paid.

Interest Income

Interest income was approximately $3,000 in both fiscal years 2012 and 2011.

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Interest Expense

Interest expense increased to approximately $8,000 in fiscal year 2012 from $-0- in fiscal year 2011, due to interest expense incurred in connection with the 8% convertible debentures issued in September 2012.

Impairment Loss

In fiscal year 2012 we wrote off our investment in Volga in the amount of approximately $128,000. In fiscal year 2011 we recorded an other than temporary impairment in both our Videocon and DISC investments of approximately $1,786,000.

Provision for Income Taxes

Provision for income taxes was $-0- in fiscal year 2012 compared to $600,000 in fiscal year 2011. The provision for income taxes in fiscal year 2011 is related to the 20% withholding payment in connection with the $3,000,000 license fee payment from AUO in June 2011.

Liquidity and Capital Resources

Since our inception, we have met our liquidity and capital expenditure needs primarily through the proceeds from sales of common stock in our initial public offering and in private placements, upon exercise of warrants issued in connection with the private placements and our initial public offering, and upon the exercise of stock options. In addition, we have generated limited cash flows from sales of our encryption products and from license fees from Videocon Industries Limited, an Indian company (“Videocon”) related to our display technology pursuant to the Videocon License Agreement (as defined below). In May 2011, we entered into the AUO License Agreements (as defined below) with AU Optronics Corp., a Taiwanese company (“AUO”), and in June 2011 we received an initial license fee from AUO.

In February 2011, we received gross proceeds of $1,250,000 from the sale of 7,000,000 unregistered shares of our common stock in a private placement at a price of $0.1786 per share, of which 3,360,000 shares were sold to our then Chairman and Chief Executive Officer, our Chief Financial Officer and director, our current Chairman and a former director of the Company. In conjunction with the sale of the common stock, we issued warrants to purchase 7,000,000 unregistered shares of our common stock. Each warrant grants the holder the right to purchase one share of our common stock at the purchase price of $0.1786 per share on or before February 8, 2016. The warrants were valued at $0.0756 per share using the Black-Scholes pricing model, adjusted for the estimated impact on fair value of the restrictions relating to the warrants. See “Item 5 – Market for the Registrant’s Common Eqiuty, Related Stockholder Matters and Issuer Purchases of Equity Securities – Recent Sales of Unregistered Securities” of this Annual Report on Form 10-K for additional information.

In September 2012, we received aggregate gross proceeds of $750,000 from the sale of 8% convertible debentures due September 12, 2016, of which $300,000 was received from our then Chairman and Chief Executive Officer and one other director of the Company. The debentures pay interest quarterly and are convertible into shares of our common stock at a conversion price of $0.092 per share on or before September 12, 2016. We recorded a discount to the carrying amount of the debentures of approximately $717,000 related to the debentures' beneficial conversion feature. We may prepay the debentures at any time without penalty upon 30 days prior notice. See "Item 5 – Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities – Recent Sales of Unregistered Securities" of this Annual Report on Form 10-K for additional information.

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In January 2013, we received aggregate gross proceeds of $ 1,765,000 from the sale of 8% convertible debentures due January 25, 2015, of which $250,000 was received from our current President, Chief Executive Officer and director, and two other directors of the Company. The debentures pay interest quarterly and are convertible into shares of our common stock at a conversion price of $0.15 per share on or before January 25, 2015. We may prepay the debentures at any time without penalty upon 30 days prior notice but only if the sales price of the common stock on the principal market on which the common stock is primarily listed and quoted for trading is at least $0.30 for 20 trading days in any 30-day trading period ending no more than 15 days before the Company's prepayment notice. In conjunction with the issuance of the debentures, we issued warrants to purchase 5,882,745 unregistered shares of our common stock. Each warrant grants the holder the right to purchase one share of our common stock at the purchase price of $0.30 per share on or before January 25, 2016. See "Item 5 – Market for the Registrant's Common Eqiuty, Related Stockholder Matters and Issuer Purchases of Equity Securities – Recent Sales of Unregistered Securities" of this Annual Report on Form 10-K for additional information.

During fiscal year 2012, our cash used in operating activities was $3,142,000. This resulted from payments to suppliers, employees and consultants of approximately $3,165,000, which was offset by cash of approximately $7,000 received from collections of accounts receivable related to sales of encryption products, approximately $13,000 of dividend income received and approximately $3,000 of interest income received. Cash provided from investing activities during fiscal year 2012 was approximately $1,748,000, which resulted from proceeds from the maturities of short-term investments consisting of certificates of deposit and U.S. government securities of approximately $2,949,000 and approximately $1,000 received from the sale of DISC common stock offset by purchases of approximately $1,200,000 of certificates of deposit and purchases of equipment of approximately $2,000 Our cash provided by financing activities during fiscal year 2012 was approximately $958,000, which resulted from cash of $750,000 received from the sale of convertible debentures in a private placement and approximately $208,000 received upon the exercise of stock options. As a result, our cash, cash equivalents, and short-term investments at October 31, 2012 decreased $2,183,000 to approximately $840,000 from approximately $3,023,000 at the end of fiscal year 2011.

Prepaid expenses and other current assets decreased by approximately $15,000, to approximately $82,000 at October 31, 2012 from approximately $97,000 at October 31, 2011, as a result of the timing of payments. Investment in Videocon is recorded at fair value and decreased by approximately $654,000, to approximately $4,728,000 at October 31, 2012 from approximately $5,382,000 at the end of fiscal year 2011, as a result of a decrease in the underlying price of Videocon's equity shares which are listed on the Luxembourg Stock Exchange. Investment in Volga decreased to $-0- at October 31, 2012 from approximately $128,000 at the end of fiscal year 2011, as a result of an impairment in the value of the investment. Accounts payable and accrued liabilities increased by approximately $175,000 from approximately $460,000 at the end of fiscal year 2011 to approximately $635,000 at October 31, 2012, as a result of the timing of payments and an increase in certain expenses related to the changes in our business. Deferred revenue decreased to approximately $1,187,000 at October 31, 2012, from approximately $2,127,000 at October 31, 2011, as a result of license fee revenue recognized during fiscal year 2012 of approximately $940,000. Loan payable, which is due in December 2014, remained at $5,000,000 at October 31, 2012 and 2011. Loan receivable, which is classified as a contra-equity under shareholders' equity in the accompanying consolidated balance sheet and is due in December 2014,remained at $5,000,000 at October 31, 2012 and 2011. As a result of these changes, working capital deficit at October 31, 2012 was approximately $900,000 compared to working capital of approximately $1,015,000 at October 31, 2011.

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Under the AUO License Agreements, AUO had agreed to pay CTI an aggregate license fee of up to $10 million, of which $3 million was paid by AUO in June 2011 and the remaining $7 million would have been payable upon completion of certain conditions for the respective technologies, in each case subject to a 20% foreign withholding tax.Accordingly, in June 2011 we received a payment from AUO, net of the withholding tax, of $2.4 million. In addition, the AUO License Agreements also provided for the basis for royalty payments by AUO to CTI.

On January 28, 2013, we sent AUO a notice, terminating the AUO License Agreements due to numerous alleged material and continual breaches of the agreements by AUO. On January 28, 2013, we also filed a lawsuit in the United States Federal District Court for the Northern District of California against AUO and E Ink in connection with the AUO License Agreements, alleging breach of contract, breach of the implied covenant of good faith and fair dealing, fraudulent inducement, unjust enrichment, unfair business practices, attempted monopolization, and other charges, and we are seeking compensatory, punitive, and treble damages. For more details on the AUO/E Ink Lawsuit, please see "Item 3, Legal Proceedings" above in this Annual Report on Form 10-K. We can give no assurance as to the potential outcome of this litigation.

Under the terms of the Videocon License Agreement, we were scheduled to receive a license fee of $11 million from Videocon, payable in installments over a 27 month period and an agreed upon royalty from Videocon based on display sales by Videocon. The initial installment was received in May 2008 however; certain license fee payments were subsequently deferred. The deferral of the license fee payments is no longer in effect; however, we cannot give any assurance that additional license fees will be received. No such license fee payments were received from Videocon during the fiscal years ended October 31, 2012 and 2011. As of October 31, 2012, we have received aggregate license fee payments from Videocon of $3.2 million and $7.8 million remains owed to us. We are not presently involved in development efforts with Videocon and it is not anticipated that such efforts will be resumed in the future. We have entered into discussions with Videocon regarding the disposition of the Videocon License Agreement.

Total employee compensation expense during fiscal years 2012 and 2011 was approximately $3,001,000 and $3,661,000, respectively, including in fiscal year 2012 approximately $74,000 of expense relating to severance payments to terminated employees. During fiscal years 2012 and 2011, a significant portion of employee

compensation consisted of the issuance of stock and stock options to employees in lieu of cash compensation. We recorded compensation expense for the fiscal years ended October 31, 2012 and 2011 of approximately $927,000 and $1,819,000, respectively, for shares of common stock issued to employees. We recorded approximately $615,000 and $742,000 of stock-based compensation expense, related to stock options granted to employees and directors, during the years ended October 31, 2012 and 2011, respectively. In addition, during fiscal years 2012 and 2011, we issued shares of common stock to consultants for services rendered. We recorded consulting expense for fiscal years ended October 31, 2012 and 2011 of approximately $76,000 and $113,000, respectively, for shares of common stock issued to consultants. In addition, during fiscal years 2012 and 2011, we recorded approximately $110,000 and $44,000, respectively, of consulting expense for stock options granted to consultants. During the fourth quarter of fiscal year 2012, management discontinued compensating employees through the issuance of stock and does not presently anticipate instituting this practice in the future. Management intends to continue issuing stock options to provide incentives which will attract, retain and motivate highly competent persons as officers, key employees and non-employee directors of, and consultants to, the Company.

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Based on currently available information, we believe that our existing cash, cash equivalents, and short-term investments, together with expected cash flows from patent licensing and enforcement, and other potential sources of cash flow may not be sufficient to enable us to continue our patent licensing and enforcement activities for at least 12 months. However, our projections of future cash needs and cash flows may differ from actual results. If current cash on hand and cash that may be generated from patent licensing and enforcement activities are insufficient to satisfy our liquidity requirements, we may seek to sell our investment securities or other financial assets or our debt or additional equity securities or obtain loans from various financial institutions where possible. The sale of additional equity securities or securities convertible into or exercisable for equity securities could result in dilution to our shareholders. We can give no assurance that we will generate sufficient cash flows in the future (through licensing and enforcement of patents, or otherwise) to satisfy our liquidity requirements or sustain future operations, or that other sources of funding, such as sales of equity or debt, would be available, if needed, on favorable terms or at all. If we cannot obtain such funding if needed or if we cannot sufficiently reduce operating expenses, we would need to curtail or cease some or all of our operations.

As shown in the accompanying consolidated financial statements, we have incurred a net loss of approximately $4,253,000 during the fiscal year ended October 31, 2012, and, as of that date, we have an accumulated deficit of approximately $125,083,000 and a net shareholders' deficit of approximately $1,194,000. These and the other factors described herein raise uncertainty about our ability to continue as a going concern. Management's plans in regard to these matters are set forth above. The accompanying financial statements have been prepared assuming that we will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty. The report from our independent registered public accountants, KPMG LLP, dated January 29, 2013, includes an explanatory paragraph related to our ability to continue as a going concern.

Contractual Obligations

The following table presents our expected cash requirements for contractual obligations outstanding as of October 31, 2012:

	Payments Due by Period				
Contractual Obligations	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
Noncancelable Operating Leases	313,000	339,000	-	-	652,000
Convertible Debentures			750,000		750,000
Secured Loan Obligation to Mars Overseas	-	5,000,000	-	-	5,000,000
Total Contractual Cash Obligations	$ 313,000	$ 5,339,000	$ 750,000	$ -	$ 6,402,000

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Off-Balance Sheet Arrangements

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

Effect of Recent Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2011-12 ("ASU 2011-12"),Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. This amendment defers the effective date of the requirement to present separate line items on the income statement for reclassification adjustments of items out of accumulated other comprehensive income into net income. ASU 2011-12 is effective at the same time as Accounting Standards Update 2011-05,Comprehensive Income (Topic 220): Presentation of Comprehensive Income ("ASU 2011-05"), so that entities will not be required to comply with the presentation requirements in ASU 2011-05 that this ASU 2011-12 is deferring. ASUs 2011-12 and 2011-05 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company adopted ASUs 2011-05 and 2011-12 on November 1, 2012. We do not expect the adoption of these new disclosure requirements to have a material impact on our disclosures or consolidated financial statements.

In October 2012, the FASB issued Accounting Standards Update 2012-04 ("ASU 2012-04"), *Technical Corrections and Improvements*. The amendments in this update cover a wide range of topics and include technical corrections and improvements to the Accounting Standards Codification. The amendments in ASU 2012-04 will

be effective for interim and annual reporting periods beginning after December 15, 2012. The Company will adopt ASU 2012-04 on February 1, 2013. The Company does not expect the adoption of ASU 2012-04 to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In October 2012, the FASB issued Accounting Standards Update 2012-03 ("ASU 2012-03"), *Technical Amendments and Corrections to SEC Sections*. ASU 2012-03 is issued to amend certain SEC paragraphs in the FASB Accounting Standards Codification, including Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin, Technical Amendments, and Corrections Related to FASB Accounting Codification. The amendments in ASU 2012-03 will be effective for interim and annual reporting periods beginning after December 15, 2012. The Company will adopt ASU 2012-03 on February 1, 2013. The Company does not expect the adoption of ASU 2012-03 to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

As of October 31, 2012, we had 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 short-term instruments are not considered at risk with respect to changes in interest rates or markets for these instruments, which investments consist of FDIC guaranteed certificates of deposit, our rate of return on these securities could be affected at the time of reinvestment, if any.

At October 31, 2012, our investment in Videocon GDRs is recorded at fair value of approximately $4,728,000 and has exposure to additional 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 October 31, 2012 amounts to approximately $473,000.

At October 31, 2012 we determined that the discontinuation of funding by CTI and the lack of available financial information from Volga has impaired the value of our investment in Volga and accordingly, a write-off of our investment of approximately $128,000 was recorded as of October 31, 2012.

As a small business issuer, the Company is not required to provide the disclosures set forth in this item.

Item 8. Financial Statements and Supplementary Data.

See accompanying "Index to Consolidated Financial Statements."

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

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Item 9A. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer and Vice President - Finance, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 and 15d-15 of the Exchange Act. Based upon that evaluation, our President and Chief Executive Officer and the Chief Financial Officer and Vice President - Finance concluded that our disclosure controls and procedures were effective as of the end of fiscal year 2012.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our management, including the principal executive officer and principal financial officer, does not expect that our internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, cannot provide full assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Under the supervision and with the participation of our management, including the principal executive officer and principal financial officer, we conducted an evaluation as to the effectiveness of our internal control over financial reporting as of October 31, 2012. In making this assessment our management used the criteria for

effective internal control set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework*. Based on this assessment, our management concluded that our internal control over financial reporting was effective as of October 31, 2012.

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to a permanent exemption of the Commission that permits the Company to provide only management's report in this Annual Report on Form 10-K. Accordingly, our management's assessment of the effectiveness of our internal control over financial reporting as of October 31, 2012 has not been audited by our auditors, KPMG LLP or any other independent registered accounting firm.

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Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the fourth quarter of fiscal year 2012 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9A(T). Controls and Procedures.

Not applicable.

Item 9B. Other Information.

On January 25, 2013, we entered into subscription agreements with 20 accredited investors, pursuant to which we sold $1,765,000 principal amount of convertible debentures and 5,882,745 common purchase warrants. For a complete description, see "Item 5 – Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities – Recent Sales of Unregistered Securities" of this Annual Report on Form 10-K.

On January 28, 2013, we terminated the AUO License Agreements due to numerous alleged material and continual breaches of the agreements by AUO. For a complete description, see "Item 1. Business – Prior Agreements."

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

(a) Our Directors and Executive Officers

The following table sets forth certain information with respect to all of our directors and executive officers:

Name	Position with the Company and Principal Occupation	Age	Director and/ or Executive Officer Since
Lewis H. Titterton Jr.	Chairman of the Board	68	2010
Robert A. Berman	Director, President and Chief Executive Officer	49	2012
Henry P. Herms	Director, Chief Financial Officer and Vice President – Finance	67	2000
Dr. Amit Kumar	Director, Strategic Advisor	48	2012
Bruce F. Johnson	Director	70	2012
Kent B. Williams	Director	63	2012
John Roop	Senior Vice President – Engineering	63	2012

There is no arrangement or understanding between the directors and executive officers and any other person pursuant to which any director or executive officer was to be selected as a director or executive officer.

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(b) Business Experience of our Directors and Executive Officers

Mr. Titterton has served as a director since August 16, 2010, the Chairman of the Board since July 20, 2012 and interim Chief Executive Officer from August 21, 2012 until September 19, 2012. Mr. Titterton is currently Chairman of the Board of NYMED, Inc., a diversified health services company. His background is in high technology with an emphasis on health care and he has been with NYMED, Inc. since 1989. Mr. Titterton founded MedE America, Inc. in 1986 and was Chief Executive Officer of Management and Planning Services, Inc. from 1978 to 1986. Mr. Titterton also served as one of our Directors from July 1999 to January 2003. He holds a M.B.A. from the State University of New York at Albany, and a B.A. degree from Cornell University.

Mr. Berman has served as our President and Chief Executive Officer since September 19, 2012 and was elected to our Board of Directors on November 30, 2012. Mr. Berman has experience in a broad variety of areas including finance, acquisitions, marketing, and the development, licensing, and monetization of intellectual property. He was recently the CEO of IP Dispute Resolution Corporation, a consulting company focused on patent monetization, from March 2007 to September 2012. Prior to IPDR, Mr. Berman was the Chief Operating Officer and General Counsel of Acacia Research Corporation from 2000 to March 2007. Mr. Berman holds a J.D from the Northwestern University School of Law and a B.S. in Entrepreneurial Management from the Wharton School of the University of Pennsylvania.

Dr. Kumar has served on our Board of Directors since November 30, 2012 and has been a strategic advisor to the Company since September 19, 2012. Dr. Kumar has been CEO of Geo Fossil Fuels LLC, an energy company, since December 2010. From September 2001 to June 2010, Dr. Kumar was President and CEO of CombiMatrix Corporation, a Nasdaq listed biotechnology company and also served as director from September 2000 to June 2012. Dr. Kumar was Vice President of Life Sciences of Acacia Research Corp., a publicly traded patent monetization company, from July 2000 to August 2007 and also served as a director from January 2003 to August 2007. Dr. Kumar has served as Chairman of the Board of Directors of Ascent Solar Technologies, Inc., a publicly-held solar energy company, since June 2007, and as a director of Aeolus Pharmaceuticals, Inc. since June 2004. Dr. Kumar holds an A.B. in Chemistry from Occidental College and Ph.D. from Caltech.

Mr. Johnson has served on our Board of Directors since August 29, 2012. Mr. Johnson has been a commodity trader on the Chicago Mercantile Exchange for over 40 years. He has served as a member of the board of directors of CME Group Inc. since 1998. He had previously served as President, Director and part-owner of Packers Trading Company, a former futures commissions merchant/clearing firm at the CME from 1969 to 2003. He also serves on the board of directors of the Chicago Crime Commission. Mr. Johnson holds a B.S. in Marketing from Bradley University and a J.D. from John Marshall Law School.

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Mr. Williams has served on our Board of Directors since August 21, 2012. He has the managing member of Vista Asset Management LLC, an investment advisory firm, since 2002. He has more than 40 years' experience in the capital markets, including positions with U.S. Trust, Wood Island Associates and Merrill Lynch. In 2011, he also founded VIA Motors, a clean tech, plug-in electric vehicle company. He is a member of the CFA Institute and the CFA Society of San Francisco and received his M.B.A. from St Mary's College of California and a B.A. from the University of California at Berkeley.

Mr. Herms has served as our Chief Financial Officer and Vice President – Finance since November 2000 and as one of our Directors since August 2001. Mr. Herms was also our Chief Financial Officer from 1982 to 1987. He is also a former audit manager and CPA with the firm of Arthur Andersen LLP. He holds a B.B.A. degree from Adelphi University.

Mr. Roop has served as our Senior Vice President – Engineering since September 19, 2012. Mr. Roop has 18 years of experience analyzing and evaluating patents for acquisition and licensing, and over 20 years of experience as a Silicon Valley design engineer and engineering executive. From June 2008 until September 2012, he was a technology consultant and expert witness. Prior thereto, he was Senior Vice President of Engineering at Acacia Research from November 2002 until June 2008 and was instrumental in developing Acacia's patent acquisition operations. Previously, Mr. Roop was a co-founder and Senior Vice President of Engineering at StarSight Telecast, a pioneering developer of electronic program guides, and Vice President of Engineering at VSAT Systems, Inc., a satellite telecommunications systems developer. Mr. Roop holds a B.S.E.E degree in Electrical Engineering from University of California, Berkeley.

We believe that our board of directors represents a desirable mix of backgrounds, skills, and experiences. Below are some of the specific experiences, qualifications, attributes or skills in addition to the biographical information provided above that led to the conclusion that each person should serve as one of our directors in light of our business and structure:

Mr. Titterton has been involved with our Company as a director or investor for over nineteen years. Mr. Titterton also has substantial experience with advising on the strategic development of technology companies and over forty years of experience in various aspects of the technology industry.

Mr. Berman has experience in development, licensing, and monetization of intellectual property as well a broad variety of other areas including finance, acquisitions, and marketing, and has served as an officer of another publicly traded patent monetization company.

Dr. Kumar has experience in development, licensing, and monetization of intellectual property as well as a broad variety of other areas including finance, acquisitions, R&D, and marketing, and has served as a director and officer of another publicly traded patent monetization company.

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Mr. Johnson has been involved with the Company as an investor for over 9 years and has over 30 years' experience in the capital markets as a result of his investment background.

Mr. Williams has been involved with the Company as an investor for over 12 years and has over 40 years' experience in the capital markets.

Mr. Herms has served as our Chief Financial Officer and Vice President - Finance since 2000 and as our Chief Financial Officer from 1982 to 1987, and has a deep understanding of the financial aspects of our business. He also has substantial experience as a public accountant, which is important to the Board's ability to review our consolidated financial statements, assess potential financings and strategies and otherwise supervise and evaluate our business decisions.

Except for Dr. Kumar and Mr. Johnson, none of our current directors or executive officers have served as a director of another public company within the past five years.

(c) Our Significant Employees

We have no significant employees other than our executive management team.

(d) Family Relationships

There are no family relationships between or among the directors, executive officers or persons nominated or chosen by the Company to become directors or executive officers.

(e) Involvement of Certain Legal Proceedings

To the best of our knowledge, during the past ten years, none of the following occurred with respect to a present or former director or executive officer of the Company: (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities or banking activities; (4) being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated; (5) being subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree or finding relating to an alleged violation of the federal or state securities, commodities, banking or insurance laws or regulations or any settlement thereof or involvement in mail or wire fraud in connection with any business entity not subsequently reversed, suspended or vacated and (6) being subject of, or a party to, any disciplinary sanctions or orders imposed by a stock, commodities or derivatives exchange or other self-regulatory organization.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers and ten percent stockholders to file initial reports of ownership and reports of changes in ownership of our common stock with the Commission. Directors, executive officers and ten percent stockholders are also required to furnish us with copies of all Section 16(a) forms that they file. Based upon a review of these filings, we believe that all required Section 16(a) reports were made on a timely basis during fiscal year 2012, except that Mr. Berman filed his initial Form 3 one day late due to a delay in obtaining the necessary electronic filing codes from the Commission.

Code of Ethics

We have adopted a formal code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. We will provide a copy of our code of ethics to any person without charge, upon request. For a copy of our code of ethics write to Secretary, CopyTele, Inc., 900 Walt Whitman Road, Melville, New York 11747.

Nomination Procedures

There were no changes to the procedures by which security holders may recommend nominations to our Board of Directors during our fiscal year 2012.

Audit Committee and Audit Committee Financial Expert

The Commission has adopted rules implementing Section 407 of the Sarbanes-Oxley Act of 2002 requiring public companies to disclose information about "audit committee financial experts." We do not have a separately-designated standing Audit Committee. The functions of the Audit Committee have been assumed by our full Board of Directors. Our Board of Directors has not concluded that Dr. Kumar or Messrs. Johnson, Titterton or Williams, the non-management directors, meet the definition of "audit committee financial expert" and accordingly, we do not have an audit committee financial expert serving on our Audit Committee. The Commission's rules do not require us to have an audit committee financial expert, and our Board of Directors has determined that it possesses sufficient financial expertise to effectively discharge its obligations.

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Item 11. Executive Compensation

Compensation Discussion and Analysis

The following discusses our executive compensation philosophy, decisions and practices for fiscal year 2012. As a small company with only 7 employees and a small management team, we have implemented a simple and modest compensation structure based on our overall goal to ensure that the total compensation paid to our executives is fair, reasonable and competitive. Our Board of Directors deems such a simple, less formula-based compensation structure advisable and consistent with the Company's overall compensation objectives and philosophies. Accordingly, the method of compensation decision-making actually employed by the Company does not lend itself to extensive analytical and quantitative analysis, but rather is based on the business judgment of the Company's Chief Executive Officer and our Board of Directors as described in more detail below.

Philosophy and Objectives

Our philosophy towards executive compensation is to create both short-term and long-term incentives based on the following principles:

- *Total compensation opportunities should be competitive*. We believe that our overall compensation program should be competitive so that we can attract, motivate and retain highly qualified executives.

- *Total compensation should be related to our performance.* We believe that our executives' total compensation should be linked to achieving specified financial objectives which we believe will create stockholder value.

- *Total compensation should be related to executive*'s *performance*. We believe that our executives' total compensation should reward individual performance achievements and encourage individual contributions to achieve better performance.

- *Equity awards help executives think like stockholders*. We believe that our executives' total compensation should have an equity component because stock based equity awards help reinforce the executives' long-term interest in our overall performance and thereby align the interests of the executive with the interests of our stockholders.

Role of our Board of Directors

Our Board of Directors is primarily responsible for determining executive compensation and employee benefit plans for fiscal year 2012. Our Board of Directors evaluates the performance of our Chief Executive Officer directly. The Chief Executive Officer is not present during the Board of Directors deliberations as to his compensation.

With respect to senior management other than the Chief Executive Officer, Mr. Berman, our current Chief Executive Officer, participates in the decision-making by making recommendations to the Board of Directors. After informal discussion regarding such recommendations, the Board of Directors vote on any recommended compensation changes. Our Board of Directors do not utilize any particular formula in determining any compensation changes but instead exercises its business judgment in view of our overall compensation philosophy and objectives.

Elements of Executive Compensation

Our executive compensation consists primarily of two elements: (1) base salary and (2) stock options under our stock equity incentive plans and, when appropriate, performance based bonus. Our Board of Directors does not follow a specific set of guidelines or formulas in determining the amount and mix of compensation elements. We seek to reward shorter-term performance through base salary and, when appropriate, performance based bonus and longer-term performance through stock options granted under our stock equity incentive plans.

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Base Salary

In setting salaries for fiscal year 2012, the Board of Directors considered several factors to help evaluate the reasonableness and competitiveness of the Company's base salaries. The Board of Directors initially determines base salary for each executive based on the executive's salary for the prior fiscal year. The Board of Directors then considers the level of job responsibilities, the executive's experience and tenure and the executive's performance in helping the Company achieve certain goals, including (i) development of its flat panel technology, (ii) making business arrangements for licensing its technology, (iii) development of encryption products and (iv) making business arrangements to license and market its encryption products. In light of our transition to a company whose primary business is Patent Monetization and Patent Assertion, in considering the base salary for our new management team, we considered (a) the executive's role in such transition, (b) his level of job responsibilities, (c) the executive's experience and tenure with other companies in that business, (d) the executive's performance in helping in the (x) monetization and assertion of the Company's existing patent portfolios, and (y) acquisition of patents and patent enforcement rights from third parties. The Board of Directors give no specific weight to any of the above factors so it is not possible to provide a complete qualitative and quantitative discussion linking the Company's compensation objectives and policies with the actual salaries paid to our executives.

Because the market for talented executives is extremely competitive, the Board of Directors also considers, from time to time, the form and amount of compensation paid to executives of other companies, compiled from publicly available information. While the Company takes into account competitive market data, it does not target a specific benchmark for compensation from the other companies whose compensation it reviews. To maintain flexibility, the Company also does not target base salary at any particular percent of total compensation. While the Board of Directors can engage compensation consultants to assist with this task, the Board of Directors did not retain any third party consultants or engaged in any formal comparison of compensation of the Company to compensation at other companies during fiscal year 2012. Individual base salaries are reviewed annually.

Equity Based Incentives

Our use of equity compensation is driven by our goal of aligning the long-term interests of our executives with our overall performance and the interests of our stockholders. The Board of Directors believes it is important to provide our senior management with stock-based incentive compensation that increases in value in direct correlation with improvement in the performance of our common stock. The fundamental philosophy is to link the amount of compensation for an executive to his or her contribution to the Company's success in achieving financial and other objectives. Equity incentives are not set at any particular percentage of total compensation.

In general, we grant stock options under stock equity incentive plans to directors, officers, and other employees upon commencement of their employment with us and periodically thereafter. We generally grant stock options at regularly scheduled Board meetings. The option awards are granted at an exercise price equal to the closing price of common stock on the grant date (the date the grant is approved.) Options for directors and officers generally vest on the date of grant or after a period ranging from 6 months to 3 years following the grant date, provided the directors or officers remain employed on the vesting date, so that such compensation is at risk of forfeiture based on the directors or officers' continued service with us.

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As with other elements of executive compensation, the determination of stock options granted were not based on complex or extensive quantitative or qualitative factors that lend themselves to substantive disclosure. Instead, the awards granted in fiscal year 2012 were based primarily on the business judgment of the Board of Directors.

The stock equity incentive plans also provide for the award of restricted stock, although such awards have not been used in any material respect. No restricted stock was awarded during fiscal year 2012.

Shareholder Advisory Vote

As a smaller reporting company, the Company has not previously sought a shareholder advisory vote on executive compensation and, therefore our Board of Directors has not considered the results of such vote in determining executive compensation policies and decisions.

Other Benefits

We provide our executives with customary, broad-based benefits that are provided to all employees, including medical insurance, life, and disability insurance. We also provide our executives with certain perquisites which are not a significant element of executive compensation.

Policy on Ownership of Stock and Options

We do not have any policy regarding levels of equity ownership (stock or options) by our executive officers or directors.

Policy on Deductibility of Compensation

Section 162(m) of the Internal Revenue Code limits the deductibility of compensation in excess of $1 million paid to certain executive officers named in the proxy statement, unless certain requirements are met. To maintain flexibility in compensating executive officers in a manner designed to aid in retention and promote varying corporate performance objectives, the Board of Directors has not adopted a policy of meeting the Section 162(m) requirements.

Compensation Committee Interlocks and Insider Participation

As disclosed above, the Board of Directors is primarily responsible for overseeing our compensation and employee benefit plans and practices. We do not have a compensation committee or other Board committee that performs equivalent functions. During the last fiscal year, no officer or employee of the Company (other than officers who are also directors of the Company), nor any former officer of the Company, participated in deliberations of the Company's Board of Directors concerning executive compensation.

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Compensation Committee Report

The Board of Directors has reviewed and discussed the above "Compensation Discussion and Analysis" with management. Based upon this review and discussion, the Board has recommended that the "Compensation Discussion and Analysis" be included in this Annual Report on Form 10-K.

Lewis H. Titterton Jr.
Robert A. Berman
Henry P. Herms
Bruce F. Johnson
Dr. Amit Kumar
Kent B. Williams

Executive Compensation

The following table sets forth certain information for fiscal year ended October 31, 2012, with respect to compensation awarded to, earned by or paid to our Chief Executive Officer and our Chief Financial Officer (the "Named Executive Officers"). No other executive officer received total compensation in excess of $100,000 during fiscal year 2012.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($) (1)	All Other Compensation ($) (2)	Total Compensation ($)
Robert A. Berman (3) Chief Executive Officer and Director	2012	$ 32,223	$ -	$ 2,882,667	$ -	$ 2,914,890
Lewis H. Titterton Jr. (4) Interim Chief Executive Officer and Chairman of the Board	2012	$ -	$ -	$ 136,575	$ -	$ 136,575
Denis A. Krusos (5)	2012	$ 208,333	$ -	$ -	$ 29,145	$ 237,478
former Chairman of the	2011	$ 250,000	$	$ 179,356	$ 34,813	$ 664,169
Board and Chief	2010	$ 250,000	$ 200,000	$ -	$ 37,524	$ 287,524
Executive Officer			-			
Henry P. Herms	2012	$ 150,000	$ -	$ 69,219	$ 15,033	$ 234,252
Chief Financial Officer,	2011	$ 129,167	$ 12,500	$ 29,893	$ 18,508	$ 190,068
Vice President- Finance	2010	$ 125,000	$	$ -	$ 16,244	$ 153,744
and Director			12,500			
John Roop (6)	2012	$	$ -	$ 1,441,333	$ -	$ 1,466,333
Senior Vice President of Engineering		25,000				

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(1) Amounts in the Option Awards column represent the aggregate grant date fair value of stock option awards made during the fiscal years ended October 31, 2012, 2011 and 2010 for each Named Executive Officer in accordance with ASC 718 and also reflects the repricing of certain options on September 5, 2012. See "Option Repricing," below". A discussion of assumptions used in valuation of option awards may be found in Note 2 to our Consolidated Financial Statements for fiscal year ended October 31, 2012, included elsewhere in this Annual Report on Form 10-K.

(2) Amounts in the All Other Compensation column reflect, for each Named Executive Officer, the sum of the incremental cost to us of all perquisites and personal benefits, which consisted solely of auto allowance and related expenses for fiscal years ended October 31, 2012, 2011 and 2010.

(3) Mr. Berman was elected as President and Chief Executive Officer on September 19, 2012 and elected as a director on November 30, 2012. Pursuant to the terms of his employment agreement, while Mr. Berman's salary accrued, it is not payable until the milestone set forth in his employment agreement is achieved. See "Employment and Consulting Agreements" below in this section.

(4) Mr. Titterton served as our interim Chief Executive Officer from August 21, 2012 to September 19, 2012. On September 19, 2012, the Board approved a grant to Lewis H. Titterton of a stock option to purchase 750,000 shares of Company common stock in compensation for his service as interim Chief Executive Officer of the Company and as compensation for his prior service as a Director of the Company.

(5) Mr. Krusos was terminated as the Chief Executive Officer of the Company on August 21, 2012 and he resigned as a director on October 8, 2012.

(6) Mr. Roop was elected as Senior Vice President of Engineering on September 19, 2012. Pursuant to the terms of his employment agreement, while Mr. Roop's salary accrued, it is not payable until the milestone set forth in his employment agreement is achieved. See "Employment and Consulting Agreements" below in this section.

Employment and Consulting Agreements

Employment Agreement with Robert Berman

On September 19, 2012, the Company entered into an Employment Agreement with Mr. Berman (the "Berman Agreement") to serve as President and Chief Executive Officer of the Company. Pursuant to the Berman Agreement, Mr. Berman will receive an annual base salary of $290,000, provided, however that payment of his salary is deferred until the Cash Milestone (as described below) has been achieved.

In addition to his base salary, Mr. Berman is entitled to a cash bonus of $50,000, if the Company generates aggregate cash payments in excess of a specified amount (the "Cash Milestone") prior to September 19, 2013. Mr. Berman is also entitled to two additional cash bonuses of $50,000 if the average trading price of the Company's common stock exceeds two separate price targets (the "Stock Price Targets") prior to September 19, 2013.

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The Company also granted Mr. Berman options to purchase 16,000,000 shares of the Company's common stock, with an exercise price equal $0.2175 (the average of the high and the low sales price of the common stock on the trading day immediately preceding the approval of such options by the Board). Half of the options vest in 36 equal monthly installments commencing on October 31, 2012, provided that if the Berman Agreement is terminated or constructively terminated by the

Company without cause (as defined below), an additional 12 months of vesting will be accelerated and such accelerated options will become immediately exercisable. The balance of the options will vest in three equal installments upon achievement of the Cash Milestone and the Stock Price Targets (without regard to the 12 month period). The options otherwise have the same terms and conditions as options granted under the Company's 2010 Share Incentive Plan (as defined below).

If Mr. Berman's employment is terminated by the Company or he terminates his employment for any reason or no reason, the Company shall be obligated to pay to Mr. Berman only any earned compensation and/or bonus due under the Berman Agreement, any unpaid reasonable and necessary expenses, and any accrued and unpaid benefits due to him in accordance with the terms and conditions of the Company's benefit plans and policies including any accrued but unpaid vacation up to the cap of 20 days through the date of termination. All such payments shall be made in a lump sum immediately following termination as required by law.

"Cause" means (i) commission of or entrance of a plea of guilty or nolo contendere to a felony; (ii) conviction for engaging or having engaged in fraud, breach of fiduciary duty, a crime of moral turpitude, dishonesty, or other acts of willful misconduct or gross negligence in connection with the business affairs of the Company or its affiliates; (iii) a conviction for theft, embezzlement, or other intentional misappropriation of funds by employee from the Company or its affiliates; (iv) a conviction in connection with the willful engaging by employee in conduct which is demonstrably and materially injurious to the Company or its affiliates, monetarily or otherwise.

Employment Agreement with John Roop

On September 19, 2012, the Company entered into an Employment Agreement with John Roop (the "Roop Agreement") to serve as Senior Vice President of Engineering of the Company. Pursuant to the Roop Agreement, Mr. Roop will receive an annual base salary of $225,000, provided, however that payment of his salary is deferred until the Cash Milestone (as described below) has been achieved.

In addition to his base salary, Mr. Roop is entitled to a cash bonus of $50,000, if the Company generates aggregate cash payments in excess of a specified amount (the "Cash Milestone") prior to September 19, 2013. Mr. Roop is also entitled to two additional cash bonuses of $50,000 if the average trading price of the Company's common stock exceeds two separate price targets (the "Stock Price Targets") prior to September 19, 2013.

In addition to his base salary, Mr. Roop is entitled to receive the same cash bonuses granted to Mr. Berman and was granted options to purchase 8,000,000 shares of the Company's common stock and upon the same terms as those granted to Mr. Berman.

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Consulting Agreement with Amit Kumar

On September 19, 2012, Company entered into a consulting agreement with Dr. Kumar pursuant to which Dr. Kumar will provide business consulting services for an annual consulting fee of $120,000, provided, however that payment of the consulting fee is deferred until the Cash Milestone has been achieved.

In addition to his consulting fee, Dr. Kumar is entitled to receive the same cash bonuses granted to Mr. Berman and was granted options in the same amount and upon the same terms and those granted to Mr. Berman.

Stock Options

The following table sets forth certain information with respect to unexercised stock options held by the Named Executive Officers outstanding on October 31, 2012:

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

	Option Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Un -Exercisable	Option Exercise Price ($)	Option Expiration Date
Robert A. Berman	222,230 (1)	7,777,770	$ 0.2175	9/19/2022
	–	8,000,000(2)	$ 0.2175	9/19/2022
Lewis H. Titterton Jr.	250,000(3)	500,000(3)	$ 0.2225	9/19/2022
Denis A. Krusos (4)	500,000		$ 0.430	2/22/2014
	250,000		$ 0.810	5/10/2014
	1,000,000		$ 1.040	10/25/2014
	1,500,000		$ 0.650	2/17/2015
	1,000,000		$ 0.520	10/30/2015
	1,000,000		$ 0.830	5/31/2016
	700,000		$ 0.700	11/20/2016
	1,000,000		$ 1.170	8/21/2017
	1,000,000		$ 0.920	8/21/2017
	600,000		$ 0.370	8/21/2017

Henry P. Herms	5,000(5)		$	0.145	5/10/2014
	45,000		$	0.810	5/10/2014
	70,000(5)		$	0.145	10/25/2014
	100,000		$	0.650	2/17/2015
	100,000		$	0.520	10/30/2015
	50,000(5)		$	0.145	5/31/2016
	50,000		$	0.700	11/20/2016
	75,000(5)		$	0.145	11/11/2017
	100,000(5)		$	0.145	10/7/2019
	100,000	291,655(6)	$	0.370	6/01/2021
	8,345(6)		$	0.235	9/19/2022
John Roop	111,115 (7)	3,888,885	$	0.2175	9/19/2022
	–	4,000,000(8)	$	0.2175	9/19/2022

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(1) 222,230 options vested and became exercisable on October 31, 2012 and the remaining 7,777,770 shares shall vest and become exercisable in 35 consecutive monthly installments on the last day of each month, beginning November 30, 2012 and continuing through September 30, 2015.

(2) Options will vest in three equal installments upon achievement of the Cash Milestone and the Stock Price Targets.

(3) 250,000 options immediately vested on September 19, 2012, and the remaining 500,000 options shall vest and become exercisable in two consecutive annual installments of 250,000 options each beginning on September 19, 2013.

(4) Mr. Krusos' employment was terminated effective August 21, 2012. The exercisability of Mr. Krusos' options will be subject to the results of the Company's ongoing review of the facts underlying his termination, which results shall be presented to the Board upon completion.

(5) Options were repriced on September 4, 2012. See "Options Repricing", below.

(6) 8,345 options vested and became exercisable on October 31, 2012 and the remaining 291,655 shares shall vest and become exercisable in 35 consecutive monthly installments on the last day of each month, beginning November 30, 2012 and continuing through September 30, 2015.

(7) 111,115 options vested and became exercisable on October 31, 2012 and the remaining 3,888,885 shares shall vest and become exercisable in 35 consecutive monthly installments on the last day of each month, beginning November 30, 2012 and continuing through September 30, 2015.

(8) Options will vest in three equal installments upon achievement of the Cash Milestone and the Stock Price Targets.

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The following table sets forth certain information with respect to grants of stock options to the Named Executive Officers during fiscal year 2012:

GRANTS OF PLAN BASED AWARDS TABLE

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise Price of Option Awards ($/Sh)	Grant Date Fair Value ($) (1)
Robert A. Berman	9/19/2012(2)	16,000,000	$ 0.2175(4)	$ 2,882,667
Lewis H. Titterton Jr.	9/19/2012	750,000	$ 0.2225(5)	$ 136,575
Denis A. Krusos	--	--	--	--
Henry P. Herms	9/19/2012(3)	300,000	$ 0.235(6)	$ 57,930
	9/4/2012(7)	300,000	$ 0.145	$ 11,289
John Roop	9/19/2012(8)	8,000,000	$ 0.2175(4)	$ 1,441,333

(1) In accordance with ASC 718, the aggregate grant date fair value of stock option awards for each Named Executive Officer reflects the repricing of certain options on September 5, 2012. See "Option Repricing," below

(2) Reflects options granted to Mr. Berman under the Berman Agreement.

(3) Reflects options granted to Mr. Herms under the 2010 Share Incentive Plan.

(4) The exercise price was determined by calculating the average of the high and the low sales price of the Common Stock on the trading day immediately preceding the approval of such options by the Board.

(5) The exercise price was based on the average of the high and the low sales price of the Common Stock on the second trading day immediately following the approval of such options by the Board.

(6) The exercise price was based on the closing trading price of the Common Stock on the second trading day immediately following the approval of such options by the Board.

(7) Options were repriced on September 4, 2012. See "Options Repricing", below.

(8) Reflects options granted to Mr. Roop under the Roop Agreement.

There were no stock options exercised during fiscal year 2012 by Named Executive Officers.

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Option Repricing

On September 4, 2012, the Board approved a re-pricing of options to purchase a total of 1,840,000 shares of the Company's common stock granted under the Company's 2003 Share Incentive Plan, which were granted from May 11, 2004 to October 8, 2009 with exercise prices ranging from $0.65 to $1.46 and are held by 11 persons, including Henry P. Herms and George Larounis. Pursuant to the re-pricing, the option agreements were unilaterally amended by the Board to reduce the exercise price of each option to $0.145, which was the closing sales price of the Company's common stock on September 4, 2012. The number of shares, the vesting commencement date and the length of the vesting period, and expiration period for each of these options were not altered.

The following stock option grants and related stock option agreements issued to the Company's Named Executive Officers and directors are affected by the re-pricing:

	Grant Date	# of Shares	Old Option Price	New Option Price	Exercise Date	Expiration Date
Henry P. Herms						
	5/11/04	5,000	$ 0.81	$ 0.145	9/4/12	5/10/04
	10/26/04	70,000	$ 1.04	$ 0.145	9/4/12	10/25/04
	6/1/06	50,000	$ 0.83	$ 0.145	9/4/12	5/31/16
	11/12/07	75,000	$ 1.17	$ 0.145	9/4/12	11/11/17
	10/8/09	100,000	$ 0.92	$ 0.145	9/4/12	10/7/19
		300,000				
George Larounis						
	10/26/04	60,000	$ 1.04	$ 0.145	9/4/12	10/25/14
	6/1/06	120,000	$ 0.83	$ 0.145	9/4/12	5/31/16
	11/13/07	60,000	$ 1.21	$ 0.145	9/4/12	11/12/17
	10/8/09	60,000	$ 0.92	$ 0.145	9/4/12	11/30/17
		300,000				

Potential Payments upon Termination or Change in Control

Robert A. Berman

As more fully described in "Employment Agreement with Robert Berman," if Mr. Berman is terminated without cause, an additional 12 months of vesting of his options will be accelerated and such accelerated options will become immediately exercisable. The value of such options would be $110,667, which was calculated by multiplying (a) 2,666,664 options (being the number of options granted to him on September 19, 2012 that would be accelerated) (b) an amount equal to the excess of the (x) our closing share price on October 31, 2012 of $0.259 and (y) the options' exercise price of $0.2175 per share.

In addition to the acceleration of the options, if Mr. Berman's employment is terminated by the Company or he terminates his employment for any reason or no reason, the Company shall be obligated to pay to Mr. Berman only any earned compensation and/or bonus due under the Berman Agreement, any unpaid reasonable and necessary expenses, and any accrued and unpaid benefits due to him in accordance with the terms and conditions of the Company's benefit plans and policies including any accrued but unpaid vacation up to the cap of 20 days through the date of termination (which accrued and unpaid benefits would have a maximum value of $22,308).

As more fully described in "Employment Agreement with John Roop," if Mr. Roop is terminated without cause, an additional 12 months of vesting of his options will be accelerated and such accelerated options will become immediately exercisable. The value of such options would be $55,333, which was calculated by multiplying (a) $111,111 options (being the number of options granted to him on September 19, 2012 that would be accelerated options by (b) an amount equal to the excess of the (x) our closing share price on October 31, 2012 of $0.259 and (y) the options' exercise price of $0.2175 per share.

In addition to the acceleration of the options, if Mr. Roop's employment is terminated by the Company or he terminates his employment for any reason or no reason, the Company shall be obligated to pay to Mr. Roop only any earned compensation and/or bonus due under the Roop Agreement, any unpaid reasonable and necessary expenses, and any accrued and unpaid benefits due to him in accordance with the terms and conditions of the Company's benefit plans and policies including any accrued but unpaid vacation up to the cap of 20 days through the date of termination (which accrued and unpaid benefits would have a maximum value of $ 17,308)

Henry P. Herms

Mr. Herms' outstanding unvested stock option awards granted under the 2010 Share Incentive Plan would immediately vest and become exercisable upon a change in control as defined below. The value of Mr. Herms' outstanding options would be $7,000, which was calculated by multiplying (a) 291,655 options (being the unvested portion of options granted to him on September 19, 2012 that he held on October 31, 2012) by (b) an amount equal to the excess of the (x) our closing share price on October 31, 2012 of $0.259 and (y) the options' exercise price of $0.235 per share.

Under the 2010 Share Incentive Plan, "change in control" means:

- Change in Ownership: A change in ownership of the Company occurs on the date that any one person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company, excluding the acquisition of additional stock by a person or more than one person acting as a group who is considered to own more than 50% of the total fair market value or total voting power of the stock of the Company.

- Change in Effective Control: A change in effective control of the Company occurs on the date that either:
  - Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 30% or more of the total voting power of the stock of the Company; or
  - A majority of the members of the Board of Directors of the Company is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the board of directors before the date of the appointment or election; provided, that this paragraph will apply only to the Company if no other corporation is a majority shareholder.
- Change in Ownership of Substantial Assets: A change in the ownership of a substantial portion of the Company's assets occurs on the date that any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 40% of the total gross fair market value of the assets of the Company immediately before such acquisition or acquisitions. For this purpose, "gross fair market value" means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

It is the intent that this definition be construed consistent with the definition of "Change of Control" as defined under Code Section 409A and the applicable treasury regulations, as amended from time to time.

Director's Compensation

There is no present arrangement for cash compensation of directors for services in that capacity. Under the CopyTele, Inc. 2003 Share Incentive Plan (the "2003 Share Incentive Plan") and subsequently under the 2010 Share Incentive Plan (the "2010 Share Incentive Plan"), each non-employee director is entitled to receive nonqualified stock options to purchase 60,000 shares of common stock upon their election to the Board of Directors and 60,000 shares of common stock at the time of each annual meeting of our stockholders at which they are elected to the Board of Directors. Accordingly, each of Messrs. Johnson and Williams received such an award upon his appointment to the Board in August 2012 and an additional option to purchase 60,000 shares upon re-election to our Board of Directors at our 2012 annual meeting of stockholders. In addition, the Board awarded Mr. Williams (a) an option to purchase 750,000 shares of common stock on September 19, 2012 and (b) an option to purchase 1,000,000 shares of common stock on November 30, 2012 in recognition of his efforts to identify and bring on the new management team. On September 19, 2012, the Board approved a grant to Lewis H. Titterton of a stock option to purchase 750,000 shares of Company common stock in compensation for his service as interim Chief Executive Officer of the Company and as compensation for his prior service as a Director of the Company and an option to purchase an additional 60,000 shares upon re-election to our Board of Directors at our 2012 annual meeting of stockholders.

Our employee directors, Denis A. Krusos and Henry P. Herms, did not receive any additional compensation for services provided as a director during fiscal year 2012. Prior to his appointment as interim Chief Executive Officer of the Company on August 21, 2012 until September 19, 2012, Mr. Titterton was a non-employee director. The following table sets forth compensation of Messrs, Larounis, Titterton, Johnson and Williams, our non-employee directors for fiscal year 2012:

DIRECTORS COMPENSATION

Name	Option Awards ($) (1)	Bonus ($)	All Other Compensation ($)
George P. Larounis (2)	$ 13,348	-	-
Lewis H. Titterton Jr.	(3)	(3)	(3)
Bruce F. Johnson	$ 5,118	-	-
Kent B. Williams	$ 139,617		-

(1) Amounts in the Option Awards column represent the aggregate grant date fair value of stock option awards made during the fiscal year ended October 31, 2012, in accordance with ASC 718 and also reflects the incremental fair value with respect to the repricing of certain options on September 5, 2012. A discussion of assumptions used in valuation of option awards may be found in Note 2 to our Consolidated Financial Statements for fiscal year ended October 31, 2012, included elsewhere in this Annual Report on Form 10-K. At October 31, 2012, Mr. Larounis (our former non-employee director) Messrs. Johnson, Titterton and Williams (our current non-employee directors) held unexercised stock options to purchase 720,000, 60,000, 750,000 and 810,000 shares respectively, of our common stock.

(2) Mr. Larounis determined to retire and not stand for re-election at our 2012 annual meeting of stockholders.

(3) Mr. Titterton's compensation as the Company's interim Chief Executive Officer and as a director of the Company is fully disclosed in the Summary Compensation Table.

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

The following table sets forth certain information with respect to our common stock beneficially owned as of January 25, 2013 by (a) each person who is known by ourmanagement to be the beneficial owner of more than 5% of our outstanding common stock, (b) each of our directors and executive officers, and (c) all directors and executive officers as a group:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)(2)(3)(4)(5)(6)(7)	Percent of Class (8)
Mars Overseas Limited (9) P.O. Box 309, GI Ugland House South Church Street, George Town Grand Cayman, Cayman Island	20,000,000	10.81%
Denis A. Krusos (10) One Lloyd Harbor Road Lloyd Harbor, New York 1174	11,119,880	5.70%
Lewis H. Titterton, Jr. 900 Walt Whitman Road Melville, NY 11747	10,026,996	5.32%
Robert A. Berman 900 Walt Whitman Road Melville, NY 11747	1,611,118	*
Dr. Amit Kumar 900 Walt Whitman Road Melville, NY 11747	2,170,318	1.16%
Bruce F. Johnson 900 Walt Whitman Road Melville, NY 11747	7,415,622	3.94%
Kent B. Williams 900 Walt Whitman Road Melville, NY 11747	1,057,244	*

Henry P. Herms 900 Walt Whitman Road Melville, NY 11747	1,307,252	*
John A. Roop 900 Walt Whitman Road Melville, NY 11747	555,559	*
All Directors and Executive Officers as a Group (7 persons)	24,144,109	12.22%

* Less than 1%.

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(1) A beneficial owner of a security includes any person who directly or indirectly has or shares voting power and/or investment power with respect to such security or has the right to obtain such voting power and/or investment power within sixty (60) days. Except as otherwise noted, each designated beneficial owner in this Proxy Statement has sole voting power and investment power with respect to the shares of Common Stock beneficially owned by such person.

(2) Includes 736,677 shares and 736,677 shares which Henry P. Herms and all directors and executive officers as a group, respectively, have the right to acquire within 60 days upon exercise of options granted pursuant to the 2003 Share Incentive Plan and/or the 2010 Share Incentive Plan.

(3) Includes 1,400,000 shares, 700,000 shares, 280,000 shares, and 2,380,000 shares which Lewis H. Titterton, Bruce F. Johnson, Henry P. Herms and all directors and executive officers as a group, respectively, have the right to acquire within 60 days upon exercise of warrants purchased by them in the private placement on February 8, 2011.

(4) Includes 99,540 shares indirectly owned through the Vista Asset Management 401(k) plan, of which Kent Williams and his wife are the sole trustees, 47,700 shares owned by Mr. Williams' wife and 215,460 shares indirectly owned by Mr. Williams' wife through the Vista Asset Management 401(k) plan. Mr. Williams disclaims beneficial ownership of the shares owned by his wife.

(5) Includes 1,630,434 shares, 1,630,434 shares and 3,260,868 shares which Lewis H. Titterton, Bruce F. Johnson and all directors and executive officers as a group, respectively, have the right to acquire within 60 days upon conversion of debentures purchased by them in the private placement on September 12, 2012.

(6) Includes 500,000 shares, 1,000,000 shares, 1,000,000 shares and 2,500,000 shares that Robert A. Berman, Dr. Amit Kumar, Bruce F. Johnson and all directors and executive officers as a group, respectively, have the right to acquire within 60 days upon conversion of debentures and exercise of warrants purchased by them in the private placement on January 25, 2013.

(7) Includes 250,000 shares, 1,111,118 shares, 583,334 shares, 555,559 shares, 1,111,118 shares and 3,611,129 shares which Lewis H. Titterton, Robert A. Berman, Kent B. Williams, John Roop, Dr. Amit Kumar and all directors and executive officers as a group, respectively, respectively, have the right to acquire within 60 days pursuant to option agreements with the Company.

(8) Based on 185,104,037 shares of Common Stock outstanding as of January 25, 2013.

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

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(10) The Company has relied solely on information provided in Amendment No. 7 to the Schedule 13G which Denis Krusos filed on February 18, 2011. Mr. Krusos' employment was terminated effective August 21, 2012. Includes 1,400,000 shares that Denis Krusos has the right to acquire within 60 days upon exercise of warrants purchased by him in the private placement on February 8, 2011. Also includes 8,550,000 shares which Denis Krusos may have the right to acquire within 60 days upon exercise of options granted pursuant to the 2003 share incentive Plan and/or the 2010 Share Incentive Plan. The exercisability of Mr. Krusos' options will be subject to the results of the Company's ongoing review of the facts underlying his termination, which results shall be presented to the Board upon completion.

Change in Control

We are not aware of any arrangement that might result in a change in control in the future.

Equity Compensation Plan Information

The following is information as of October 31, 2012 about shares of our common stock that may be issued upon the exercise of options, warrants and rights under all equity compensation plans in effect as of that date, including our 2003 Share Incentive Plan and our 2010 Share Incentive Plan. See Note 6 to Consolidated Financial Statements for more information on these plans.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)
Equity compensation plans not approved by security holders (1)(2)(3)(4)	60,670,045	$0.3532	1,303,565

(1) On April 23, 2003 the Board of Directors adopted the 2003 Share Incentive Plan. Officers, key employees and non-employee directors of, and consultants to, the Company or any of its subsidiaries and affiliates are eligible to participate in the 2003 Share Incentive Plan. The 2003 Share Incentive Plan provides for the grant of stock options, stock appreciation rights, stock awards, performance awards and stock units (the "2003 Benefits"). The maximum number of shares of common stock available for issuance under the 2003 Share Incentive Plan initially was 15,000,000 shares. On October 8, 2004, February 9, 2006, August 22, 2007 and December 3, 2008, the 2003 Share Incentive Plan was amended by our Board of Directors to increase the maximum number of shares of common stock that may be granted to 30,000,000 shares, 45,000,000 shares, 55,000,000 shares and 70,000,000 shares, respectively. The 2003 Share Incentive Plan was administered by the Stock Option Committee through June 2004, from June 2004 through July 2010 by the Board of Directors, from July 2010 through August 2012, by the Stock Option Committee and since August 2012, by the Executive Committee of the Board of Directors, which determines the option price, term and provisions of the Benefits. The 2003 Share Incentive Plan contains provisions for equitable adjustment of the 2003 Benefits in the event of a merger, consolidation, reorganization, recapitalization, stock dividend, stock split, reverse stock split, spinoff, combination of shares, exchange of shares, dividends in kind or other like change in capital structure or distribution (other than normal cash dividends) to stockholders of the Company. The 2003 Share Incentive Plan terminates on April 21, 2013. The Board of Directors may amend, suspend or terminate the 2003 Share Incentive Plan at any time.

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(2) On July 14, 2010 the Board of Directors adopted the 2010 Share Incentive Plan. Officers, key employees and non-employee directors of, and consultants to, the Company or any of its subsidiaries and affiliates are eligible to participate in the 2010 Share Incentive Plan. The 2010 Share Incentive Plan provides for the grant of stock options, stock appreciation rights, stock awards, and performance awards and stock units (the "2010 Benefits"). The maximum number of shares of common stock available for issuance under the 2010 Share Incentive Plan was initially 15,000,000 shares. On July 6, 2011 and August 29, 2012, the 2010 Share Incentive Plan was amended by our Board of Directors to increase the maximum number of shares of common stock that may be granted to 27,000,000 and 30,000,000 shares, respectively. Current and future non-employees directors are automatically granted nonqualified stock options to purchase up to 60,000 shares of common stock upon their initial election to the Board of Directors and 60,000 shares of common stock at the time of each subsequent annual meeting of our stockholders at which they are elected to the Board of Directors. The 2010 Share Incentive Plan was administered by the Stock Option Committee through August 2012, and since August 2012 by the Executive Committee of the Board of Directors, which determines the option price, term and provisions of each option. The 2010 Share Incentive Plan terminates on July 14, 2020. The Board of Directors may amend, suspend of terminate the 2010 Share Incentive Plan at any time.

(3) On September 19, 2012, the Company granted to Messrs. Berman, Kumar and Roop options to purchase 16,000,000 shares, 16,000,000 shares, and 8,000,000 shares, respectively, of the Company's common stock, with an exercise price equal $0.2175 (the average of the high and the low sales price of the common stock on the trading day immediately preceding the approval of such options by the Board). Half of the options granted to each of them vest in 36 equal monthly installments commencing on October 31, 2012, provided that if such person is terminated or constructively terminated by the Company without cause (as defined in the applicable employment or consulting agreement with the Company), an additional 12 months of vesting will be accelerated and such accelerated options will become immediately exercisable. The balance of the options will vest in three equal installments if the Company generates aggregate cash payments in excess of a specified amount (the "Cash Milestone") and if the average trading price of the Company's common stock for a period of 15 trading days exceeds two separate price targets (the "Stock Price Targets"). The options otherwise have the same terms and conditions as options granted under the Company's 2010 Share Incentive Plan.

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(4) On September 19, 2012, the Board approved a grant to Lewis H. Titterton of a stock option to purchase 750,000 shares of Company common stock in

compensation for his service as interim Chief Executive Officer of the Company and as compensation for his prior service as a Director of the Company and also approved a grant to Kent Williams of a stock option to purchase 750,000 shares of Company common stock in compensation for his service in bringing on the Company's new management team. All of these stock options have an exercise price of $0.2225 (the average of the high and low sales price on September 21, 2012), vest in 3 equal annual installments of 250,000 commencing on September 21, 2012 and have an expiration date of September 19, 2022. The options otherwise have the same terms and conditions as options granted under the Company's 2010 Share Incentive Plan.

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

Transactions with Related Persons

As more fully disclosed in "Item 1. Business – Prior Agreements," Videocon and Mars Overseas are related persons under Item 404 of Regulation S-K due to Mars Overseas' beneficial ownership of more than five percent (5%) of our outstanding Common Stock. Under the terms of the Videocon License Agreement, we were scheduled to receive a license fee of $11 million from Videocon, payable in installments over a 27 month period and an agreed upon royalty from Videocon based on display sales by Videocon. The initial installment was received in May 2008 however certain license fee payments were subsequently deferred. The deferral of the license fee payments is no longer in effect; however, we cannot give any assurance that additional license fees will be received. No license fee payments were received from Videocon during the fiscal years ended October 31, 2012 and 2011. As of October 31, 2012, we have received aggregate license fee payments from Videocon of $3.2 million and $7.8 million remains owed to us. We have entered into discussions with Videocon regarding the disposition of the Videocon License Agreement.

As more fully disclosed in "Item 1. Business – Prior Agreements" we are parties to a Technology License Agreement with Volga-Svet Ltd., a Russian corporation ("Volga"), to produce and market our thin, flat, low voltage phosphor, Nano Displays in Russia. Volga is considered a related party under item 404 of Regulation S-K due to our 19.9% ownership interest in Volga. We have been working with Volga for the past fourteen years to assist us with our low voltage phosphor displays. During the fiscal year ended October 31, 2012, we paid Volga $326,000 in research and development fees. During the third quarter of fiscal 2012 we reduced our level of development activity with Volga. Since we do not anticipate that we will continue to develop our Nano Displays, we are re-evaluating the Volga License Agreement and our ownership interest in Volga.

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As more fully described in "Item 5. - Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities -- Recent Sales of Unregistered Securities," on September 12, 2012, we completed a private placement of $750,000 principal amount of 8% Convertible Debentures due 2016 (the "Debentures"). Lewis H. Titterton, Jr. the Company's Chairman and then Chief Executive Officer, and Bruce Johnson, a director of the Company, each purchased $250,000 principal amount of the securities in this offering.

As more fully described in "Item 5. - Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities -- Recent Sales of Unregistered Securities," on January 25, 2013, we completed a private placement of $1,765,000 principal amount of 8% Convertible Debentures due 2015 (the "Debentures") and warrants (the "Warrants") to purchase 5,882,745 shares of common stock. Robert A. Berman, the Company's President, Chief Executive Officer and a director, Dr. Amit Kumar, a consultant and director of the Company, and Bruce Johnson, a director of the Company, purchased $50,000, $100,000, and $100,000, respectively, of securities in this offering.

As more fully described in "Item 11.Executive Compensation - Employment and Consulting Agreements," on September 19, 2012, we entered into employment or consulting agreements with each of Robert A. Berman, the Company's President, Chief Executive Officer and a director, Dr. Amit Kumar, a consultant and director of the Company, and John Roop, the Company's Senior Vice President of Engineering and concurrently issued to them options to purchase 16,000,000, 16,000,000 and 8,000,000 shares of the Company's common stock, respectively.

Related Person Transaction Approval Policy

While we have no written policy regarding approval of transactions between us and a related person, our Board of Directors, as matter of appropriate corporate governance, we reviews and approves all such transactions, to the extent required by applicable rules and regulations. Generally, management would present to the Board of Directors for approval at the next regularly scheduled Board meeting any related person transactions proposed to be entered into by us. The Board may approve the transaction if it is deemed to be in the best interests of our stockholders and the Company.

Director Independence

Our Board of Directors oversees the activities of our management in the handling of the business and affairs of our company. We are not subject to listing requirements of any national securities exchange or inter-dealer quotation system which require that our Board be comprised of a majority of "independent" directors. Notwithstanding, Bruce F. Johnson and Kent B. William currently meet the definition of "independent" as promulgated by the rules and regulations of Nasdaq. The Board of Directors does not have separately designated audit, nominating or compensation committees, and Mr. Titterton would not be independent under the Nasdaq's audit committee independence rules due to his service as our interim Chief Executive Officer and his participation in the preparation of the Company's financial statements for the quarter ended July 31, 2012. Our directors, Robert A. Berman, Amit Kumar and Henry Herms, are employees of, or consultants to, the Company and as such do not qualify an "independent" directors under the rules adopted by Nasdaq and other stock exchanges.

Item 14. Principal Accounting Audit Fees and Services

The following table describes fees for professional audit services rendered and billed by KPMG LLP, our present independent registered public accounting firm and principal accountant, for the audit of our annual consolidated financial statements and for other services during the fiscal years 2012 and 2011:

Type of Fee	2012	2011
	$	$
Audit Fees	287,000	299,000
Audit Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	-
	$	$
Total	287,000	299,000

Procedures For Board of Directors Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor

Our Board of Directors is responsible for reviewing and approving, in advance, any audit and any permissible non-audit engagement or relationship between us and our independent registered public accounting firm. KPMG's engagement to conduct our audit was approved by our Board of Directors on September 5, 2012. We did not enter into any non-audit engagement or relationship with KPMG during fiscal year 2012.

PART IV

Item 15. Exhibits, Financial Statement Schedules

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

See accompanying "Index to Consolidated Financial Statements."

(a)(3) Executive Compensation Plans and Arrangements

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

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

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

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

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

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

Amendment No. 6 to the CopyTele, Inc. 2003 Share Incentive Plan (filed as Exhibit 10.5 to our Form 8-K, dated July 20, 2010).

Form of Repricing Letter with respect to Options granted under the CopyTele, Inc. 2003 Share Incentive Plan. (filed as Exhibit 10.1 to our Form 8-K, dated September 11, 2012.)

CopyTele, Inc. 2010 Share Incentive Plan (filed as Exhibit 10.1 to our Form 8-K, dated July 20, 2010).

Amendment No. 1 to the CopyTele, Inc. 2010 Share Incentive Plan (filed as Exhibit 10.1 to our Form 8-K, dated July 7, 2011).

Amendment No. 2 to the CopyTele, Inc. 2010 Share Incentive Plan (filed as Exhibit 10.1 to our Form 8-K, dated September 5, 2012).

Form of Stock Option Agreement under CopyTele, Inc. 2010 Share Incentive Plan (for employee participants) (filed as Exhibit 10.2 to our Form 8-K, dated July 20, 2010).

Form of Stock Option Agreement under CopyTele, Inc. 2010 Share Incentive Plan (for director participants) (filed as Exhibit 10.3 to our Form 8-K, dated July 20, 2010).

Form of Stock Award Agreement under CopyTele, Inc. 2010 Share Incentive Plan (filed as Exhibit 10.4 to our Form 8-K, dated July 20, 2010).

Form of Stock Option Agreement under CopyTele, Inc. 2010 Share Incentive Plan (time based vesting for employee participants) (filed as Exhibit 4.16 to our Form S-8, dated October 12, 2012).

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Form of Time Based Stock Option Award Agreement between CopyTele, Inc. and Robert A. Berman, John Roop and Dr. Amit Kumar (filed as Exhibit 4.13 to our Form S-8, dated October 12, 2012).

Form of Time Based Stock Option Award Agreement between CopyTele, Inc. and Lewis H. Titterton Jr. and Kent B. Williams (filed as Exhibit 4.14 to our Form S-8, dated October 12, 2012).

Form of Performance Based Stock Option Award Agreement between CopyTele, Inc. and Robert A. Berman, John Roop and Dr. Amit Kumar (Portions of Section 12 of this exhibit have been redacted and filed separately with the Commission in accordance with a request for, and related Order by the Commission dated November 15, 2012, File No. 333-184410-CF#28920, granting confidential treatment for portions of Section 12 of this exhibit pursuant to Rule 406 under the Securities Act of 1933, as amended) (filed as Exhibit 4.15 to our Form S-8, dated October 12, 2012).

Employment Agreement, dated as of September 19, 2012, between the Company and Robert Berman. (filed herewith) (Portions of Section 4 of this exhibit have been redacted and filed separately with the Commission in accordance with a request for confidential treatment, dated January 29, 2013, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.)

Employment Agreement, dated as of September 19, 2012, between the Company and John Roop. (filed herewith) (Portions of Section 4 of this exhibit have been redacted and filed separately with the Commission in accordance with a request for confidential treatment, dated January 29, 2013, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.)

Consulting Agreement, dated as of September 19, 2012, between the Company and Amit Kumar. (filed herewith) (Portions of Section 4 of this exhibit have been redacted and filed separately with the Commission in accordance with a request for confidential treatment, dated January 29, 2013, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.)

(b) Exhibits

3.1 Certificate of Incorporation, as amended. (Incorporated by reference to Form 10-Q for the fiscal quarter ended July 31, 1992 and to Form 10-Q for the fiscal quarter ended July 31, 1997.)

3.2 Amendment to the Certificate of Incorporation (Filed herewith.)

3.3 Amended and Restated By-laws. (Incorporated by reference to Exhibit 3.1 to our Form 8-K dated November 8, 2012)

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4.1 Common Stock Purchase Warrant issued to ZQX Advisors, LLC on August 20, 2009. (Incorporated by reference to Exhibit 4.1 to our Form 10-K for the fiscal year ended October 31, 2009.)

4.2 Common Stock Purchase Warrant issued to ZQX Advisors, LLC on August 20, 2009. (Incorporated by reference to Exhibit 4.2 to our Form 10-K for the fiscal year ended October 31, 2009.)

10.1 CopyTele, Inc. 2003 Share Incentive Plan. (Incorporated by reference to Exhibit 4 to our Form S-8 dated May 5, 2003.)

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

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

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

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

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

10.7 Amendment No. 6 to the CopyTele, Inc. 2003 Share Incentive Plan. (Incorporated by reference to Exhibit 10.5 to our Form 8-K, dated July 20, 2010.)

10.8 Form of Repricing Letter with respect to Options granted under the CopyTele, Inc. 2003 Share Incentive Plan. (Incorporated by reference to Exhibit 10.1 to our Form 8-K, dated September 11, 2012.)

10.9 CopyTele, Inc. 2010 Share Incentive Plan. (Incorporated by reference to Exhibit 10.1 to our Form 8-K, dated July 20, 2010.)

10.10 Amendment No. 1 to the CopyTele, Inc. 2010 Share Incentive Plan. (Incorporated by reference to Exhibit 10.1 to our Form 8-K, dated July 7, 2011.)

10.11 Amendment No. 2 to the CopyTele, Inc. 2010 Share Incentive Plan (filed as Exhibit 10.1 to our Form 8-K, dated September 5, 2012).

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10.12 Form of Stock Option Agreement under CopyTele, Inc. 2010 Share Incentive Plan (for employee participants). (Incorporated by reference to Exhibit 10.2 to our Form 8-K dated July 20, 2010.)

10.13 Form of Stock Option Agreement under CopyTele, Inc. 2010 Share Incentive Plan (for director participants). (Incorporated by reference to Exhibit 10.3 to our Form 8-K dated July 20, 2010.)

10.14 Form of Stock Award Agreement under CopyTele, Inc. 2010 Share Incentive Plan. (Incorporated by reference to Exhibit 10.4 to our Form 8-K dated July 20, 2010.)

10.15 Form of Stock Option Agreement under CopyTele, Inc. 2010 Share Incentive Plan (time based vesting for employee participants) (Incorporated by reference to Exhibit 4.16 to our Form S-8, dated October 12, 2012.)

10.16 Form of Time Based Stock Option Award Agreement between CopyTele, Inc. and Robert A. Berman, John Roop and Dr. Amit Kumar (Incorporated by reference to Exhibit 4.13 to our Form S-8, dated October 12, 2012.)

10.17 Form of Time Based Stock Option Award Agreement between CopyTele, Inc. and Lewis H. Titterton Jr. and Kent B. Williams (Incorporated by reference to Exhibit 4.14 to our Form S-8, dated October 12, 2012.)

10.18 Form of Performance Based Stock Option Award Agreement between CopyTele, Inc. and Robert A. Berman, John Roop and Dr. Amit Kumar (Portions of Section 12 of this exhibit have been redacted and filed separately with the Commission in accordance with a request for, and related Order by the Commission, dated November 15, 2012, File No. 333-184410-CF#28920, granting confidential treatment for portions of Section 12 of this exhibit pursuant to Rule 406 under the Securities Act of 1933, as amended.) (Incorporated by reference to Exhibit 4.15 to our Form S-8, dated October 12, 2012.)

10.19 Amended and Restated Technology License Agreement, dated May 16, 2008, between CopyTele, Inc. and Videocon Industries Limited. (Confidential portions have been omitted and filed separately with the Commission.) (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2008.)

10.20 Modification Letter, dated March 11, 2009, from CopyTele, Inc. to Videocon Industries Limited with respect to the Amended and Restated Technology License Agreement, dated May 16, 2008. (Incorporated by reference to Exhibit 10.21 to our Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2010.)

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10.21 Modification Letter, dated January 13, 2010, from CopyTele, Inc. to Videocon Industries Limited with respect to the Amended and Restated Technology License Agreement, dated May 16, 2008. (Incorporated by reference to Exhibit 10.22 to our Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2010.)

10.22 Modification Letter, dated June 7, 2010, from CopyTele, Inc. to Videocon Industries Limited with respect to the Amended and Restated Technology License Agreement, dated May 16, 2008. (Incorporated by reference to Exhibit 10.21 to our Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2010.)

10.23 Modification Letter, dated September 9, 2010, from CopyTele, Inc. to Videocon Industries Limited with respect to the Amended and Restated Technology License Agreement, dated May 16, 2008. (Incorporated by reference to Exhibit 10.22 to our Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2010.)

10.24 Modification Letter, dated January 12, 2011 from CopyTele, Inc. to Videocon Industries Limited with respect to the Amended and Restated Technology License Agreement, dated May 16, 2008. (Incorporated by reference to Exhibit 10.26 to our Annual Report on Form 10-K for the fiscal year ended October 31, 2010.)

10.25 Loan and Pledge Agreement, dated November 2, 2007, by and between Mars Overseas Limited and CopyTele International Ltd. (Incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2008.)

10.26 Loan and Pledge Agreement, dated November 2, 2007, by and between CopyTele International Ltd. and Mars Overseas Limited. (Incorporated by reference to Exhibit 10.6 to our Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2008.)

10.27 Exclusive License Agreement, dated May 27, 2011, by and between CopyTele and AU Optronics Corp. (Confidential portions have been omitted and filed separately with the Commission.) (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2011.)

10.28 License Agreement, dated May 27, 2011, by and between CopyTele and AU Optronics Corp. (Confidential portions have been omitted and filed separately with the Commission.) (Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2011).

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10.29 Notice of Termination, dated January 28, 2013, from CopyTele and AU Optronics Corp. (Filed herewith)

10.30 Form of Subscription Agreement executed as of February 8, 2011 by and among the Company and each Investor. (Incorporated by reference to Exhibit 10.1 to our Form 8-K, dated February 8, 2011).

10.31 Form of Common Stock Purchase Warrant issued as of February 8, 2011 by the Company to each Investors who were not directors or officers of the Company. (Incorporated by reference to Exhibit 10.2 to our Form 8-K, dated February 8, 2011).

10.32 Form of Common Stock Purchase Warrant issued as of February 8, 2011 by the Company to directors or officers of the Company. (Incorporated by reference to Exhibit 10.3 to our Form 8-K, dated February 8, 2011).

10.33 Form of Subscription Agreement executed as of September 12, 2012 by and among the Company and each Investor. (Incorporated by reference to Exhibit 10.1 to our Form 8-K, dated September 18, 2012).

10.34 Form of Debenture issued as of September 12, 2012 by the Company to each Investors (Incorporated by reference to Exhibit 10.2 to our Form 8-K, dated September 8, 2012).

10.35 Employment Agreement, dated as of September 19, 2012, between the Company and Robert Berman. (filed herewith) (Portions of Section 4 of this exhibit have been redacted and filed separately with the Commission in accordance with a request for confidential treatment, dated January 29, 2013, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.)

10.36 Employment Agreement, dated as of September 19, 2012, between the Company and John Roop. (filed herewith) (Portions of Section 4 of this exhibit have been redacted and filed separately with the Commission in accordance with a request for confidential treatment, dated January 29, 2013, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.)

10.37 Consulting Agreement, dated as of September 19, 2012, between the Company and Amit Kumar. (filed herewith) (Portions of Section 4 of this exhibit have been redacted and filed separately with the Commission in accordance with a request for confidential treatment, dated January 29, 2013, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.)

10.38 Form of Subscription Agreement executed as of January 25, 2013 by and among the Company and each Investor. (Filed herewith.)

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10.39 Form of Debenture issued as of January 25, 2013 by the Company to each Investors. (Filed herewith.)

10.40 Form of Common Stock Purchase Warrant issued as of January 25, 2013 by the Company to each Investors. (Filed herewith.)

21 Subsidiaries of CopyTele, Inc. (Incorporated by reference to Exhibit 21 to our Annual Report on Form 10-K for the fiscal year ended October 31, 2009.)

23.1 Consent of KPMG LLP. (Filed herewith.)

31.1 Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated January 29, 2013. (Filed herewith.)

31.2 Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated January 29, 2013. (Filed herewith.)

32.1 Statement of Chief Executive Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated January 29, 2013. (Filed herewith.)

32.2 Statement of Chief Financial Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated January 29, 2013. (Filed herewith.)

101.ins Instance Document*

101.def XBRL Taxonomy Extension Definition Linkbase Document*

101.sch XBRL Taxonomy Extension Schema Document *

101.cal XBRL Taxonomy Extension Calculation Linkbase Document *

101.lab XBRL Taxonomy Extension Label Linkbase Document *

101.pre XBRL Taxonomy Extension Presentation Linkbase Document *

* Furnished, not filed herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COPYTELE, INC

By: /s/ Robert Berman
Robert Berman
President and
January 29, 2013 Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

By: /s/ Robert Berman
Robert Berman
January 29, 2013 President, Chief Executive Officer
and Director (Principal Executive Officer)

By: /s/ Henry P. Herms
Henry P. Herms
Vice President - Finance,
Chief Financial Officer and
Director (Principal Financial
January 29, 2013 and Accounting Officer)

By: /s/ Lewis H. Titterton Jr.
Lewis H. Titterton Jr
January 29, 2013 Chairman of the Board

By: /s/ Dr. Amit Kumar
Dr. Amit Kumar
January 29, 2013 Director

By: /s/ Kent B. Williams
Kent B. Williams

January 29, 2013 Director

By: /s/ Bruce F. Johnson
Bruce F. Johnson
Director

January 29, 2013

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COPYTELE, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2012

Additional information required by schedules called for under Regulation S-X is either not applicable or is included in the financial statements or notes thereto.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
CopyTele, Inc. and subsidiaries:

We have audited the accompanying consolidated balance sheets of CopyTele, Inc. and subsidiaries as of October 31, 2012 and 2011, and the related consolidated statements of operations, shareholders' (deficiency), and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CopyTele, Inc. and subsidiaries as of October 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations, has negative working capital, and has a shareholders' deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ KPMG LLP

Melville, New York

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CONSOLIDATED BALANCE SHEETS

	October 31, 2012	October 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 339,693	$ 774,040
Short–term investments in U.S. government securities and certificates of deposit	500,000	2,249,159
Prepaid expenses and other current assets	82,326	97,158
Total current assets	922,019	3,120,357
Investment in Videocon Industries Limited global depository receipts, at market value	4,728,367	5,382,051
Investment in Volga-Svet, Ltd., at cost	-	127,500
Property and equipment, net of accumulated depreciation of $2,185,525 and $2,178,291, respectively	10,290	15,924
Total assets	$ 5,660,676	$ 8,645,832
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 304,523	$ 374,691
Accrued liabilities	330,616	85,778
Deferred revenue, nonrefundable license fee	1,187,320	1,644,679
Total current liabilities	1,822,459	2,105,148
Commitments and contingencies (Note 7)		
Convertible debentures, net of discount of $717,727 (Note 1)	32,273	-
Deferred revenue, nonrefundable license fee	-	482,651
Loan payable to related party (Note1)	5,000,000	5,000,000
Shareholders' (deficiency):		
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; 184,979,037 and 176,131,047 shares issued and outstanding, respectively	1,849,790	1,761,310
Additional paid-in capital	127,693,160	125,127,246
Loan receivable from related party (Note 1)	(5,000,000)	(5,000,000)
Accumulated deficit	(125,083,322)	(120,830,523)
Accumulated other comprehensive income	(653,684)	-
Total shareholders' (deficiency)	(1,194,056)	1,058,033
Total liabilities and shareholders' (deficiency)	$ 5,660,676	$ 8,645,832

The accompanying notes are an integral part of these statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended October 31,	
	2012	2011
Net revenue		
Revenue from sales of encryption products, net	$ 7,075	$ 130,523
Display technology license fees	940,010	872,670
Total net revenue	947,085	1,003,193
Cost of revenue and operating expenses		
Cost of encryption products sold	3,873	34,081
Research and development expenses	2,211,506	3,124,773
Selling, general and administrative expenses	2,866,262	2,872,605
Total cost of revenue and operating expenses	5,081,641	6,031,459
Loss from operations	(4,134,556)	(5,028,266)
Impairment in value of available for sale securities (Note 4)	-	(1,785,793)
Impairment in value of investment in Volga –Svet Ltd.	(127,500)	-
Interest expense	(7,664)	-

Dividend income	13,463	33,507
Interest income	3,458	2,516
Loss before income taxes	(4,252,799)	(6,778,036)
Provision for income taxes (Note 9)	-	600,000
Net Loss	$ (4,252,799)	$ (7,378,036)
Net loss per share:		
Basic and diluted	$ (.02)	$ (.04)
Weighted average common shares outstanding:		
Basic and diluted	181,677,334	166,859,649

The accompanying notes are an integral part of these statements.

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CONSOLIDATED STATEMENT OF SHAREHOLDERS' (DEFICIENCY)
FOR THE YEARS ENDED OCTOBER 31, 2012 and 2011

	Common Stock		Additional Paid-in Capital	Loan Receivable From Related Party	Accumulated Deficit	Accumulated Other Comprehensive Income(Loss)	Total Shareholders' (Deficiency)
	Shares	Par Value					
Balance, October 31, 2010	153,744,438	1,537,444	120,098,640	(5,000,000)	(113,452,487)	1,412,358	4,595,955
Stock option compensation to employees	-	-	741,982	-	-	-	741,982
Stock option compensation to consultants	-	-	44,034	-	-	-	44,034
Common stock issued upon exercise of stock options under stock option plans	5,620,000	56,200	1,227,900	-	-	-	1,284,100
Common stock issued to employees pursuant to stock incentive plans	9,256,045	92,560	1,726,655	-	-	-	1,819,215
Common stock issued to consultants	510,564	5,106	108,035	-	-	-	113,141
Common stock and warrants issued in a private placement	7,000,000	70,000	1,180,000	-	-	-	1,250,000
Reversal of unrealized gain as of October 31, 2010 on investment in Videocon Industries Limited Global depository receipts (Note 4)	-	-	-	-	-	(1,419,557)	(1,419,557)
Reversal of unrealized (loss) as of October 31, 2010 on investment in Digital Info Security co. Inc. common stock	-	-	-	-	-	7,199	7,199
Net loss	-	-	-	-	(7,378,036)	-	(7,378,036)
Balance, October 31, 2011	176,131,047	1,761,310	125,127,246	(5,000,000)	(120,830,523)	-	1,058,033
Stock option compensation to employees	-	-	614,914	-	-	-	614,914
Stock option compensation to consultants			110,351				110,351
Common stock issued upon exercise of stock options under stock option plans	1,290,000	12,900	195,550	-	-	-	208,450
Common stock issued to employees pursuant to stock incentive plans	7,100,818	71,008	856,348	-	-	-	927,356
Common stock issued to consultants	457,172	4,572	71,360	-	-	-	75,932
Unrealized loss on investment in Videocon Industries Limited global depository receipts (Note 4)	-	-	-	-	-	(653,684)	(653,684)
Discount on convertible debentures			717,391				717,391
Net loss	-	-	-	-	(4,252,799)	-	(4,252,799)
Balance, October 31, 2012	184,979,037	$ 1,849,790	$127,693,160	$(5,000,000)	$(125,083,322)	$ (653,684)	$(1,194,056)

The accompanying notes are an integral part of this statement.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended October 31,	
	2012	2011
Cash flows from operating activities:		
Payments to suppliers, employees and consultants	$ (3,164,613)	$ (3,280,030)
Cash received from products and services	7,075	130,523
Cash received from display technology license fee, net of taxes	-	2,400,000
Dividend received	13,463	33,507
Interest received	3,327	-
Net cash used in operating activities	(3,140,748)	(716,000)
Cash flows from investing activities:		
Disbursements to acquire short-term investments in U.S. government securities and certificates of deposit	(1,200,000)	(3,947,543)
Proceeds from maturities of short-term investments in U.S. government securities and certificates of deposit	2,948,551	1,699,618
Proceeds from sale of Digital Info Security Co. Inc. common stock	1,000	118,777

Payments for purchases of property and equipment	(1,600)	(9,028)
Net cash provided by (used in) investing activities	1,747,951	(2,138,176)
Cash flows from financing activities:		
Proceeds from private placement	750,000	1,250,000
Proceeds from exercise of stock options	208,450	1,284,100
Net cash provided by financing activities	958,450	2,534,100
Net (decrease) in cash and cash equivalents	(434,347)	(320,076)
Cash and cash equivalents at beginning of year	774,040	1,094,116
Cash and cash equivalents at end of year	$ 339,693	$ 774,040
Reconciliation of net loss to net cash used in operating activities:		
Net loss	$ (4,252,799)	$ (7,378,036)
Stock option compensation to employees	614,914	741,982
Stock option compensation to consultants	110,351	44,034
Common stock issued to employees pursuant to stock incentive plans	927,356	1,819,215
Common stock issued to consultants	75,932	113,141
Depreciation and amortization	7,234	7,977
Gain on sale of Digital Info Security Co., Inc. common stock	(1,000)	(30,169)
Other than temporary impairment in value of available for sale securities	-	1,785,793
Impairment in value of investment in Volga-Svet Ltd.	127,500	-
Other	1,722	(3,438)
Change in operating assets and liabilities:		
Prepaid expenses and other current assets	13,382	45,823
Accounts payable and accrued liabilities	174,670	10,348
Deferred revenue	(940,010)	2,127,330
Net cash used in operating activities	$ (3,140,748)	$ (716,000)

The accompanying notes are an integral part of these statements.

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1. BUSINESS AND FUNDING

Description of Business

As used herein, “we,” “us,” “our,” the “Company” and “CopyTele” refers to CopyTele, Inc. Our principal operations include the development, acquisition, licensing, and enforcement of patented technologies. While in the past, the primary operations of the Company involved licensing in connection with and the development of patented technologies, the primary operations of the Company going forward will be patent licensing in connection with the unauthorized use of patented technologies and patent enforcement. We expect to first generate revenues and related cash flows from the licensing and enforcement of patents that we currently own. We are continuing to develop our patent portfolios through the filing and prosecution of patent applications and will initiate lawsuits, if necessary, to prevent the unauthorized use of our patented technologies. The changes in the primary operations of the Company included elimination of development efforts, accordingly, we are no longer incurring research and development expenses. Certain of our patents are encumbered due to arrangements previously entered into by the Company. Where we are able, we will take the steps necessary to remove any encumbrances that may inhibit our patent licensing and enforcement efforts. We expect to obtain the rights to license and enforce additional patents from third parties, and when necessary, will assist such parties in the further development of their portfolios through the filing of additional patent applications. We will likely initiate patent enforcement actions against unauthorized users of patented technologies on our own behalf and in conjunction with such third parties.

Our past operations also included the development, production and marketing of encryption products for use over several communications media. We continue to look for opportunities to sell off our remaining inventory of encryption products. We do not anticipate developing any additional encryption products.

Funding and Management’s Plans

Since our inception, we have met our liquidity and capital expenditure needs primarily through the proceeds from sales of common stock in our initial public offering and in private placements, upon exercise of warrants issued in connection with the private placements and our initial public offering, and upon the exercise of stock options. In addition, we have generated limited cash flows from sales of our encryption products and from license fees from Videocon Industries Limited, an Indian company (“Videocon”) related to our display technology pursuant to the Videocon License Agreement (as defined below). In May 2011, we entered into the AUO License Agreements (as defined below) with AU Optronics Corp., a Taiwanese company (“AUO”), and in June 2011 we received an initial license fee from AUO.

In connection with the change in the primary operations of the Company, during the fourth quarter of fiscal 2012, we have discontinued research and development activities, reduced our employee count from 19 to 7, and begun to vacate and return portions of our facilities to the landlord for possible re-letting.

In February 2011, we received gross proceeds of $1,250,000 from the issuance of 7,000,000 unregistered shares of our common stock in a private placement at a price of $0.1786 per share, for, of which 3,360,000 shares were sold to our then Chairman and Chief Executive Officer, our Chief Financial Officer and director, our Current Chairman and a former director of the Company. In conjunction with the sale of the common stock, we issued warrants to purchase 7,000,000 unregistered shares of our common stock. Each warrant grants the holder the right to purchase one share of our common stock at the purchase price of $0.1786 per share on or before February 8, 2016. The warrants were valued at $0.0756 per share using the Black-Scholes pricing model, adjusted for the estimated impact on fair value of the restrictions relating to the warrants.

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In September 2012, we received aggregate gross proceeds of $750,000 from the issuance of 8% convertible debentures due September 12, 2016 in a private placement, of which $300,000 was sold to our current Chairman and then Chief Executive Officer and one other director of the Company. The debentures pay interest quarterly and are convertible into shares of our common stock at a conversion price of $0.092 per share on or before September 12, 2016. We recorded a discount to the carrying amount of the debentures of approximately $718,000 related to the debentures' beneficial conversion feature. We may prepay the debentures at any time without penalty upon 30 days prior notice.

In January 2013, we received aggregate gross proceeds of $1,765,000 from the issuance of 8% convertible debentures due January 25, 2015 in a private placement, of which $250,000 was sold to our current President, Chief Executive Officer and director, and two other directors of the Company. The debentures pay interest quarterly and are convertible into shares of our common stock at a conversion price of $0.15 per share on or before January 25, 2015. We may prepay the debentures at any time without penalty upon 30 days prior notice but only if the sales price of the common stock on the principal market on which the common stock is primarily listed and quoted for trading is at least $0.30 for 20 trading days in any 30-day trading period ending no more than 15 days before the Company's prepayment notice. In conjunction with the issuance of the debentures, we issued warrants to purchase 5,882,745 unregistered shares of our common stock. Each warrant grants the holder the right to purchase one share of our common stock at the purchase price of $0.30 per share on or before January 25, 2016. The debentures contain a beneficial conversion feature and a down round provision which we will evaluate in the first quarter of fiscal year 2013.

During fiscal year 2012, our cash used in operating activities was approximately $3,141,000. This resulted from payments to suppliers, employees and consultants of approximately $3,165,000, which was offset by cash of approximately $7,000 received from collections of accounts receivable related to sales of encryption products, approximately $13,000 of dividend income received and approximately $3,000 of interest income received. Cash provided from investing activities during fiscal year 2012 was approximately $1,748,000, which resulted from proceeds from the maturities of short-term investments consisting of certificates of deposit and U.S. government securities of approximately $2,949,000 and approximately $1,000 received from the sale of Digital Info Security Co. Inc. ("DISC") common stock offset by purchases of approximately $1,200,000 of certificates of deposit and purchases of equipment of approximately $2,000. Our cash provided by financing activities during fiscal year 2012 was approximately $958,000, which resulted from cash of $750,000 received from the sale of convertible debentures in a private placement and approximately $208,000 received upon the exercise of stock options. As a result, our cash, cash equivalents, and short-term investments at October 31, 2012 decreased $2,183,000 to approximately $840,000 from approximately $3,023,000 at the end of fiscal year 2011.

Total employee compensation expense during fiscal years 2012 and 2011 was approximately $3,001,000 and $3,661,000, respectively, including in fiscal year 2012 approximately $74,000 of expense relating to severance payments to terminated employees. During fiscal years 2012 and 2011, a significant portion of employee compensation consisted of the issuance of stock and stock options to employees in lieu of cash compensation. We recorded compensation expense for the fiscal years ended October 31, 2012 and 2011 of approximately $927,000 and $1,819,000, respectively, for shares of common stock issued to employees. We recorded approximately $615,000 and $742,000 of stock-based compensation expense, related to stock options granted to employees and directors, during the fiscal years ended October 31, 2012 and 2011, respectively. During the fourth quarter of fiscal 2012, management discontinued compensating employees through the issuance of stock.

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Based on currently available information, we believe that our existing cash, cash equivalents, and short-term investments, together with expected cash flows from patent licensing and enforcement, and other potential sources of cash flow may not be sufficient to enable us to continue our patent licensing and enforcement activities for at least 12 months. However, our projections of future cash needs and cash flows may differ from actual results. If current cash on hand and cash that may be generated from patent licensing and enforcement activities are insufficient to satisfy our liquidity requirements, we may seek to sell our investment securities or other financial assets or our debt or additional equity securities or obtain loans from various financial institutions where possible. The sale of additional equity securities or securities convertible into or exercisable for equity securities could result in dilution to our shareholders. We can give no assurance that we will generate sufficient cash flows in the future (through licensing and enforcement of patents, or otherwise) to satisfy our liquidity requirements or sustain future operations, or that other sources of funding, such as sales of equity or debt, would be available, if needed, on favorable terms or at all. If we cannot obtain such funding if needed or if we cannot sufficiently reduce operating expenses, we would need to curtail or cease some or all of our operations.

As shown in the accompanying consolidated financial statements, we have incurred a net loss of approximately $4,253,000 during the fiscal year ended October 31, 2012, and, as of that date, we have an accumulated deficit of approximately $125,083,000 and a net shareholders' deficit of approximately $1,194,000. These and the other factors described herein raise uncertainty about our ability to continue as a going concern. Management's plans in regard to these matters are set forth above. The accompanying financial statements have been prepared assuming that we will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty. The report from our independent registered public accountants, KPMG LLP, dated January 29, 2013, includes an explanatory paragraph related to our ability to continue as a going concern.

AU Optronics Corp.

In May 2011, we entered into an Exclusive License Agreement (the "EPD License Agreement") and a License Agreement (the "Nano Display License Agreement") with AUO (together the "AUO License Agreements"). Under the EPD License Agreement, we provided AUO with an exclusive, non-transferable, worldwide license of our E-Paper® Display patents and technology, in connection with AUO jointly developing products with CopyTele, including the right to sublicense the technology to third parties in connection with the joint development of such products. Under the Nano Display License Agreement, we provided AUO with a non-exclusive, non-transferable, worldwide license of our nFED Display patents and technology, in connection with AUO jointly developing products with CopyTele, with the right to consent to the granting of licenses of the technology to third parties.

Under the AUO License Agreements, AUO had agreed to pay CopyTele an aggregate license fee of up to $10 million, of which $3 million was paid by AUO in June 2011 and the remaining $7 million would have been payable upon completion of certain conditions for the respective technologies, in each case subject to a 20%

foreign withholding tax. Accordingly, in June 2011 we received a payment from AUO, net of the withholding tax, of $2.4 million. In addition, the AUO License Agreements also provided for the basis for royalty payments by AUO to CopyTele.

On January 28, 2013, we sent AUO a notice, terminating the AUO License Agreements due to numerous alleged material and continual breaches of the agreements by AUO. On January 28, 2013, we also filed a lawsuit in the United States Federal District Court for the Northern District of California against AUO and E Ink Corporation in connection with the AUO License Agreements, alleging breach of contract and other charges, and we are seeking compensatory, punitive, and treble damages (the "AUO/E Ink Lawsuit"). For more details on the AUO/E Ink Lawsuit, please see Note 7 "Commitments and Contingencies - Litigation Matters. We can give no assurance as to the potential outcome of this litigation.

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Related Party Transactions with Videocon Industries Limited

In November 2007, we entered into a Technology License Agreement (as amended in May 2008), (the "Videocon License Agreement") with Videocon. In April 2008, the Indian Government approved the Videocon License Agreement. Under the Videocon License Agreement, we provided Videocon with a non-transferable, worldwide license of our technology for thin, flat, low voltage phosphor, nFED Display (the "Videocon Licensed Technology"), for Videocon to produce and market products incorporating displays utilizing the Videocon Licensed Technology. With the approval and support of Videocon, we entered into the Nano Display License Agreement for AUO to utilize their production facilities to produce our nFED Display for their own products and potentially for Videocon products. Additional licenses of the Videocon Licensed technology require the joint agreement of CopyTele and Videocon, and may require the consent of AUO, depending upon the outcome of CopyTele's termination of the Nano Display License Agreement and the AUO/E Ink Lawsuit.

Under the terms of the Videocon License Agreement, we were scheduled to receive a license fee of $11 million from Videocon, payable in installments over a 27 month period and an agreed upon royalty from Videocon based on display sales by Videocon. The initial installment was received in May 2008 however; certain license fee payments were subsequently deferred. The deferral of the license fee payments is no longer in effect; however, we cannot give any assurance that additional license fees will be received. No such license fee payments were received from Videocon during the fiscal years ended October 31, 2012 and 2011. As of October 31, 2012, we have received aggregate license fee payments from Videocon of $3.2 million and $7.8 million remains owed to us. We are not presently involved in development efforts with Videocon and it is not anticipated that such efforts will be resumed in the future. We have entered into discussions with Videocon regarding the disposition of the Videocon License Agreement.

At the same time we entered into the Videocon License Agreement in November 2007, we also entered into a Share Subscription Agreement (the "Share Subscription Agreement") with Mars Overseas Limited, an affiliate of Videocon ("Mars Overseas"). Under the Share Subscription Agreement, Mars Overseas purchased 20,000,000 unregistered shares of our common stock (the "CopyTele Shares") from us for an aggregate purchase price of $16,200,000. Also in November 2007, our wholly-owned subsidiary, CopyTele International Ltd. ("CopyTele International"), entered into a GDR 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.

For the purpose of effecting a lock up of the Videocon GDRs and CopyTele Shares (collectively, the "Securities") for a period of seven years, and therefore restricting both parties from selling or transferring the Securities during such period, CopyTele International and Mars Overseas entered into two Loan and Pledge Agreements in November 2007. The Videocon GDRs are to be held as security for a loan in the principal amount of $5,000,000 from Mars Overseas to CopyTele International, and the CopyTele Shares are similarly held as security for a loan in the principal amount of $5,000,000 from CopyTele International to Mars Overseas. The loans are for a period of seven years, do not bear interest, and prepayment of the loans will not release the lien on the Securities prior to end of the seven year period. The loan agreements provide for customary events of default, which may result in forfeiture of the Securities by the defaulting party, and 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 in respect of the Securities. The loan receivable from Mars Overseas is classified as a contra-equity under shareholders' equity in the accompanying consolidated balance sheet, because the loan receivable is secured by the CopyTele Shares and the Share Subscription Agreement and Loan and Pledge Agreement were entered into concurrently. We have entered into discussions with Videocon regarding the disposition of the Subscription Agreement, GDR Purchase Agreement, and Loan and Pledge Agreements. The outcome of these discussions and the disposition of the related assets and liabilities may have a material effect on our financial statements. We cannot presently estimate the timing or impact of any such resolution.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

During the fourth quarter of fiscal year 2012, the Company began operating its business as one segment – patent monetization and patent assertion. The accompanying financial statements have been presented on that basis. The consolidated financial statements include the accounts of CopyTele, Inc. and its wholly owned subsidiaries, CopyTele International and CopyTele Marketing Inc. ("CopyTele Marketing"). CopyTele International and CopyTele Marketing were incorporated in the British Virgin Islands in 2007. CopyTele International was formed for the purpose of holding the Videocon GDRs. As of October 31, 2012, CopyTele Marketing is inactive. All intercompany transactions have been eliminated in consolidation.

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) collectability is reasonably assured.

We have assessed the revenue guidance of Accounting Standards Codification ("ASC") 605-25 "Multiple-Element Arrangements" ("ASC 605-25") to determine whether multiple deliverables in our arrangements with AUO represent separate units of accounting. Under the AUO License Agreements, we received initial license fees of $3 million, of aggregate license fees of up to $10 million. The additional $7 million in license fees were payable upon completion of certain conditions for the respective technologies. We determined that the transfer of the licensed patents and technology and the effort involved in completion of the conditions for the respective technologies represent a single unit of accounting for each technology. Accordingly, using a proportional performance method, during the third quarter of fiscal year 2011 we began recognizing the $3 million initial license fees over the estimated periods that we expected to complete the conditions for the respective technologies. We have not recognized any portion of the $7 million of additional license fees as either deferred revenue or revenue as it was considered contingent revenue.

At each reporting period we assess the progress in completing our performance obligations under the AUO License Agreements and recognize license fee revenue over the remaining estimated period that we expect to complete the conditions for the respective technologies. On this basis, we reassessed the revenue recognition for the fourth quarter of fiscal year 2012 and, accordingly, revenue recognition under the AUO License Agreements has been suspended pending resolution of the AUO/E Ink Lawsuit; see Note 7, "Commitments and Contingencies – Litigation Matters".

During the fiscal years ended October 31, 2012 and 2011 we recognized approximately $940,000 and $873,000, respectively, of license fee revenue from AUO. License fee payments received from AUO which are in excess of the amounts recognized as revenue (approximately $1,187,000 as of October 31, 2012) are recorded as non-refundable deferred revenue on the accompanying consolidated balance sheet. The AUO License Agreements also provided for the basis for royalty payments on future production, if any, by AUO to CopyTele, which we have determined represent separate units of accounting. We have not recognized any royalty income under the AUO License Agreements.

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Fair Value Measurements

ASC 820 "Fair Value Measurements and Disclosures" ("ASC 820") defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. In accordance with ASC 820, we have categorized our financial assets, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as set forth below. We do not have any financial liabilities that are required to be measured at fair value on a recurring basis. If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets recorded in the accompanying consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Financial assets whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market which we have the ability to access at the measurement date.

Level 2 - Financial assets whose values are based on quoted market prices in markets where trading occurs infrequently or whose values are based on quoted prices of instruments with similar attributes in active markets.

Level 3 – Financial assets whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset. We do not currently have any Level 3 financial assets.

The following table presents the hierarchy for our financial assets measured at fair value on a recurring basis as of October 31, 2012:

	Level 1	Level 2	Level 3	Total
Money market funds – Cash and cash equivalents	$ 339,693	$ -	$ -	$ 339,693
Certificates of deposit– Short-term investments		500,000		500,000
Videocon Industries Limited global depository receipts	4,728,367			4,728,367
Total financial assets	$5,068,060	$ 500,000	$ -	$5,568,060

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The following table presents the hierarchy for our financial assets measured at fair value on a recurring basis as of October 31, 2011:

	Level 1	Level 2	Level 3	Total
Money market funds – Cash and cash equivalents	$ 5,685	$ -	$ -	$ 5,685
U.S. government securities – Cash and cash equivalents		599,994		599,994
U.S. government securities and certificates of deposit– Short-term investments		2,249,159		2,249,159
Videocon Industries Limited global depository receipts	5,382,051			5,382,051
Total financial assets	$5,387,736	$2,849,153	$ -	$8,236,889

Our non financial assets and liabilities that are measured on a non-recurring basis include our property and equipment which are measured using fair value techniques whenever events or changes in circumstances indicate a condition of impairment exists. These assets were not presented in the preceding table.

It was impractical to determine the fair value of the investment in Volga as of October 31, 2011, given that Volga is a Russian company, operates under Russian corporate law, and Volga does not use U.S. GAAP. This investment was not presented in the preceding table. During the fourth quarter of fiscal year 2012, this investment was written off pursuant to our decision to discontinue our research and development activities.

The estimated fair value of accounts payable and accrued liabilities approximates their individual carrying amounts due to the short term nature of these measurements. It is impractical to determine the fair value of the loan receivable and loan payable to the related party given the nature of these loans. The convertible debentures have been reported net of the discount for the beneficial conversion features. These assets and liabilities were not presented in the preceding table. Cash and cash equivalents are stated at carrying value which approximates fair value.

Short-term Investments

At October 31, 2012 we had marketable securities consisting of certificates of deposit of $500,000 that were classified as “available-for-sale securities” and reported at fair value.

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Statements of Cash Flows

Cash and cash equivalents consist of highly liquid instruments that are readily convertible into cash and have original maturities of less than three months. During the fiscal years ended October 31, 2012 and 2011, we did not pay any cash for interest expense or U.S. federal or state income tax.

Warranty Policy

We warrant that our encryption products are free from defects in material and workmanship for a period of one year from the date of initial purchase. The warranty does not cover any losses or damage that occur as a result of improper installation, misuse or neglect. Management has recorded a warranty liability of $5,000 as of October 31, 2012 and 2011, based upon historical experience and management’s best estimate of future warranty claims.

Investment Securities

We classify our investment securities as available-for-sale. Available-for-sale securities are recorded at fair value. Unrealized gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a component of accumulated other comprehensive income (loss) until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis. Dividend and interest income are recognized when earned.

We monitor the value of our investments for indicators of impairment, including changes in market conditions and the operating results of the underlying investment that may result in the inability to recover the carrying value of the investment. During the fourth quarter of fiscal year 2012, we determined that the discontinuation of funding from CopyTele for contract research and development work and lack of available financial information from Volga has impaired the value of our investment in Volga. During the fourth quarter of fiscal year 2011, we determined that there was an other than temporary impairment in both our Videocon and DISC investments. See Note 4 for further discussion. We will record an additional impairment charge if and when we believe any such investment has experienced an additional decline that is other than temporary.

Operating Leases

The Company recognizes rent expense from operating leases with periods of free and scheduled rent increases on a straight-line basis over the applicable lease term. The Company considers lease renewals in the useful life of its leasehold improvements when such renewals are reasonably assured.

Research and Development Expenses

Research and development expenses are expensed in the year incurred. We have discontinued all research and development activity during the fourth quarter of fiscal year 2012. Subsequent to October 31, 2012, we commenced disposing of certain fully depreciated research and development equipment.

Income Taxes

We recognize deferred tax assets and liabilities for the estimated future tax effects of events that have been recognized in our financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

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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

During the fourth quarter of fiscal year 2012 the company decreased the option price for options to purchase 1,840,000 shares from the original exercise price to $0.145 per share for eleven employees and recorded stock-based compensation expense related to this re-pricing of approximately $85,000. Such compensation expense is included in the accompanying 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.

We account for stock options granted to employees and directors using the accounting guidance included in ASC 718 "Stock Compensation" ("ASC 718"). In accordance with ASC 718, we estimate the fair value of stock options granted on the date of grant using the Black-Scholes pricing model and for options vesting if the trading price of the Company's common stock exceeds two separate price targets we used the Monte Carlo Simulation in estimating the fair value at grant date. We recognize compensation expense for stock option awards on a straight-line basis over the requisite service period of the grant. We recorded stock-based compensation expense, related to stock options granted to employees and non-employee directors, of approximately $615,000 and $742,000 during the fiscal years ended October 31, 2012 and 2011, respectively, in accordance with ASC 718, which amount in fiscal year 2012 includes approximately $112,000 of expense related to the accelerated vesting of options for employees terminated during the fourth quarter. Such compensation expense is included in the accompanying 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 years ended October 31, 2012 and 2011 by $-0-and $0.01, respectively.

Included in the stock-based compensation cost related to stock options granted to employees and directors recorded during the fiscal years ended October 31, 2012 and 2011 was approximately $7,000 and $8,000, respectively, of expense related to the amortization of compensation cost for stock options granted in prior periods but not yet vested. As of October 31, 2012, there was unrecognized compensation cost related to non-vested share-based compensation arrangements for stock options granted to employees and directors, related to service based options of approximately $2,394,000 which will be recognized over a weighted-average period of 2.8 years, performance based options of approximately $710,000 which we anticipate will be recognized over a weighted-average period of .6 years, and options subject to market conditions of approximately $1,386,000 which will be recognized over a weighted-average period of 1.9 years. As of October 31, 2012, we have not recognized any compensation cost related to performance based options as achievement was not considered probable.

We account for stock options granted to consultants using the accounting guidance included in ASC 505-50 "Equity-Based Payments to Non-Employees" ("ASC 505-50"). In accordance with ASC 505-50, we estimate the fair value of stock options granted on the date of grant using the Black-Scholes pricing model and for options vesting if the trading price of the Company's common stock exceeds two separate price targets we used the Monte Carlo Simulation in estimating the fair value at grant date. We recognized consulting expense for options granted to non-employee consultants, during the fiscal years ended October 31, 2012 and 2011, of approximately $110,000 and $44,000, respectively. Such consulting expense is included in the accompanying 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. As of October 31, 2012, there was unrecognized consulting expense related to non-vested share-based compensation arrangements for stock options granted to consultants, related to service based options of approximately $1,375,000 which will be recognized over a weighted-average period of 2.9 years, performance based options of approximately $473,000 which we anticipate will be recognized over a weighted-average period of .6 years, and options subject to market conditions of approximately $924,000 which will be recognized over a weighted-average period of 1.9 years. As of October 31, 2012, we have not recognized any consulting expense related to performance based options as achievement was not considered probable.

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Fair Value Determination

In September 2012 we instituted changes to our operations as more fully described in Note 1. Prior to that date we separated the individuals we granted stock options to 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 took a weighted average of the assumptions used for each of these groups. Subsequent to that date individuals are included in a single group. Stock options we granted during the fiscal years ended October 31, 2012 and 2011 consisted of awards of stock options with either 5-year terms, which vested over one year or 10-year terms, which vested immediately, over periods up to three years or upon achievement of a cash milestone or stock price targets.

The total intrinsic value of stock options exercised during fiscal years 2012 and 2011 was approximately $ 1,000- and $49,000, respectively. The following weighted average assumptions were used in estimating the fair value of stock options granted during the fiscal years ended October 31, 2012 and 2011.

	For the Fiscal Year Ended October 31,	
	2012	2011
Weighted average fair value at grant date	$ 0.18	$ 0.15
Valuation assumptions:		
Expected term (in years)	5.75	3.3
Expected volatility	109%	107%
Risk-free interest rate	1.16%	0.88%
Expected dividend yield	0	0

We use the Black-Scholes pricing model in estimating the fair value of stock options which vest over a specific period of time or upon achieving cash milestones. The expected term of stock options represents the weighted average period the stock options are expected to remain outstanding. For options granted prior to the changes in our operations in September 2012, actual historical performance was used for awards exercised or cancelled. For awards that remained unexercised and outstanding, even exercise over the remaining contractual term was assumed. Each category was weighted for its relative size in the population and is then multiplied by the indicated expected term for each category to arrive at the expected term for the population. For options granted subsequent to the changes in our operations during the fourth quarter of fiscal 2012, we used the simplified method of calculation to determine expected term. The simplified method was adopted since we do not believe that historical experience is representative of future performance because of the impact of the changes in our operations and the change in terms of options granted from historical options which vested immediately to terms including vesting periods of up to three years.

Under the Black-Scholes pricing model 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 term 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.

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For options vesting if the trading price of the Company's common stock exceeds two separate price targets we used the Monte Carlo Simulation in estimating the fair value at grant date.

Under ASC 718, the amount of stock-based compensation expense recognized is based on the portion of the awards that are ultimately expected to vest. Accordingly, if deemed necessary, we reduce the fair value of the stock option awards for expected forfeitures, which are forfeitures of the unvested portion of surrendered options. Based on our historical experience we have not reduced the amount of stock-based compensation expenses for anticipated forfeitures.

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. If factors change and we employ different assumptions in the application of ASC 718 in future periods, the compensation expense that we record under ASC 718 may differ significantly from what we have recorded in the current period.

Net Loss Per Share of Common Stock

In accordance with ASC 260, "Earnings Per Share", 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 years presented is the same as Basic EPS, as the inclusion of the effect of common share equivalents then outstanding would be anti-dilutive. For this reason, excluded from the calculation of Diluted EPS for the years ended October 31, 2012 and 2011, were options to purchase 60,670,045 shares and 18,602,045 shares, respectively, warrants to purchase 7,500,000 shares and 7,500,000 shares, respectively, and debentures convertible into 8,152,170 shares and -0- shares respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are used for, but not limited to, determining the allowance for doubtful accounts, depreciation lives, asset impairment evaluations, tax assets and liabilities, license fee revenue, stock-based compensation and other contingencies. Actual results could differ from those estimates.

Effect of Recently Issued Pronouncements

In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2011-12 ("ASU 2011-12"),Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. This amendment defers the effective date of the requirement to present separate line items on the income statement for reclassification adjustments of items out of accumulated other comprehensive income into net income. ASU 2011-12 is effective at the same time as Accounting Standards Update 2011-05,Comprehensive Income (Topic 220): Presentation of Comprehensive Income ("ASU 2011-05"), so that entities will not be required to comply with the presentation requirements in ASU 2011-05 that this ASU 2011-12 is deferring. ASUs 2011-12 and 2011-05 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company adopted ASUs 2011-05 and 2011-12 on November 1, 2012. We do not expect the adoption of these new disclosure requirements to have a material impact on our disclosures or consolidated financial statements.

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In October 2012, the FASB issued Accounting Standards Update 2012-04 ("ASU 2012-04"), *Technical Corrections and Improvements*. The amendments in this update cover a wide range of topics and include technical corrections and improvements to the Accounting Standards Codification. The amendments in ASU 2012-04 will be effective for interim and annual reporting periods beginning after December 15, 2012. The Company will adopt ASU 2012-04 on February 1, 2013. The Company does not expect the adoption of ASU 2012-04 to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In October 2012, the FASB issued Accounting Standards Update 2012-03 ("ASU 2012-03"), *Technical Amendments and Corrections to SEC Sections*. ASU 2012-03 is issued to amend certain SEC paragraphs in the FASB Accounting Standards Codification, including Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin, Technical Amendments, and Corrections Related to FASB Accounting Codification. The amendments in ASU 2012-03 will be effective for interim and annual reporting periods beginning after December 15, 2012. The Company will adopt ASU 2012-03 on February 1, 2013. The Company does not expect the adoption of ASU 2012-03 to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

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. Our policy is to write-off uncollectable amounts at the time it is determined that collection will not occur. During fiscal year 2012, one customer represented 99% of total net revenue. During fiscal year 2011, one customer represented 87% of total net revenue.

4. INVESTMENTS

Short-term Investments and Investments in U.S. Government Securities

At October 31, 2012 we had marketable securities consisting of certificates of deposit of $500,000 that were classified as "available-for-sale securities" and reported at fair value. At October 31, 2011 we had marketable securities consisting of U.S. government securities and certificates of deposit of approximately $2,249,000 that were classified as "available-for-sale securities" and reported at fair value.

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Investment in Videocon

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 component of accumulated other comprehensive income (loss) in shareholders' equity. The original cost basis of $16,200,000 was determined using the specific identification method. The fair value of the Videocon GDRs is based on the price on the Luxembourg Stock Exchange, which price is based on the underlying price of Videocon's equity shares which are traded on stock exchanges in India with prices quoted in rupees.

ASC 320 "Investments-Debt and Equity Securities" ("ASC 320") and SEC guidance on other than temporary impairments of certain investments in equity securities requires an evaluation to determine if the decline in fair value of an investment is either temporary or other than temporary. Unless evidence exists to support a realizable value equal to or greater than the carrying cost of the investment, an other than temporary impairment should be recorded. At each reporting period we assess our investment in Videocon to determine if a decline that is other than temporary has occurred. In evaluating our investment in Videocon at October 31, 2011, we determined that based on both the duration and the continuing magnitude of the market price decline compared to the carrying cost basis of approximately $7,105,000, and the uncertainty of its recovery, a write-down of the investment of approximately $1,723,000 should be recorded as of October 31, 2011, and a new cost basis of approximately $5,382,000 should be established. An other than temporary impairment of approximately $10,818,000, on a cumulative basis, has been recorded as of October 31, 2011.

The fair value of investment in Videocon as of October 31, 2012 and 2011, the unrealized loss for the fiscal year ended October 31, 2012, and the other than temporary impairment as of October 31, 2011, are as follows:

	Investment in Videocon
Fair Value as of October 31, 2010	$ 8,524,821
Reversal of unrealized gain as of October 31, 2010	(1,419,557)
Other than temporary impairment	(1,723,213)
Fair Value as of October 31, 2011	$ 5,382,051
Unrealized loss	(653,684)
Fair Value as of October 31, 2012	$ 4,728,367

Investment in Digital Security Co. Inc.

Our investment in DISC 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 (loss) in shareholders' equity. The original cost basis was determined using the specific identification method. DISC's common stock is not registered under the Securities Exchange Act of 1934, as amended, but is traded in the over the counter market and quoted on the Pink Sheets. At each reporting period we assess our investment in DISC, in accordance with ASC 320 and SEC guidance, to determine if a decline that is other than temporary has occurred. In evaluating our investment in DISC at October 31, 2011 we determined that, due to the continual decline in market value, the uncertainty of its recoverability and the decline in trading volume, the investment should be written-off. Accordingly, a write-off of the investment of approximately $63,000 was recorded as of October 31, 2011.

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The fair value of our investment in DISC as of October 31, 2012 and 2011, the unrealized loss for the fiscal year ended October 31, 2011, the cost basis of common stock sold for the fiscal year ended October 31, 2011 and the other than temporary impairment as of October 31, 2011 are as follows:

Fair Value and Cost Basis as of October 31, 2010	$	143,989
DISC common stock sold in fiscal 2011		(88,608)
Reversal of unrealized loss as of October 31, 2010		7,199
Other than temporary impairment recorded in fiscal 2011		(62,580)
Fair Value as of October 31, 2012 and 2011	$	-0-

During the fiscal years ended October 31, 2012 and 2011, we received proceeds of approximately $1,000 and $119,000, respectively, from the sale of 917,000 shares and 4,219,443 shares, respectively, of DISC common stock. During the fiscal years ended October 31, 2012 and 2011, we recorded a gain of approximately $1,000 and $30,000, respectively, on such sales of DISC common stock.

Investment in and Related Party Transactions with Volga-Svet, Ltd

In September 2009, we entered into the Volga License Agreement to produce and market our thin, flat, low voltage phosphor displays in Russia. In addition, in September 2009, we acquired a 19.9% ownership interest in Volga in exchange for 150,000 unregistered shares of our common stock. As we do not believe that we can exercise significant influence over Volga, our investment in Volga as of October 31, 2011 was recorded at cost of approximately $128,000 based on the closing price of our common stock at the time of the acquisition. During fiscal year 2012 we discontinued utilizing Volga for contract research and development work. In evaluating our investment in Volga at October 31, 2012, we determined that the discontinuation of funding by CopyTele and the lack of available financial information from Volga has

impaired the value of our vestment in Volga and accordingly, a write-off of our investment of approximately $128,000 was recorded as of October 31, 2012.

Research and development expenses in the accompanying consolidated statements of operations include payments to Volga for the fiscal years ended October 31, 2012 and 2011 of approximately $326,000 and $518,000, respectively.

Investment in ZQX Advisors, LLC

In August 2009, we entered into an Engagement Agreement with ZQX Advisors, LLC ("ZQX") to assist us in seeking business opportunities and licenses for our electrophoretic display technology. Concurrently with entering into the Engagement Agreement, we acquired a 19.5% ownership interest in ZQX. In exchange for the 19.5% ownership interest and for the services to be rendered by ZQX, we issued 800,000 unregistered shares of common stock as well as warrants to purchase an additional 500,000 unregistered shares of common stock, half of which are exercisable at $0.37 per share and the other half at $0.555 per share to ZQX. The warrants are exercisable at any time after August 19, 2010 and expire on August 19, 2019. We have classified our interest in ZQX of $91,000 as a reduction of additional paid-in capital within shareholders' equity since this investment in ZQX consists entirely of our equity securities. On January 21, 2013, we terminated the Engagement Agreement with ZQX, but currently retain our 19.5% interest in ZQX.

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5. ACCRUED LIABILITIES

Accrued liabilities consist of the following as of:

	October 31,	
	2012	2011
Accrued professional fees	$ 164,075	$ 40,000
Accrued payroll and related expenses	103,451	31,043
Interest	8,000	-
Accrued other	55,090	14,735
	$ 330,616	$ 85,778

6. SHAREHOLDERS' EQUITY

On November 30, 2012, our shareholders approved an amendment to our certificate of incorporation to increase the authorized number of shares of common stock from 240,000,000 to 300,000,000.

Common Stock Issuances

We account for stock awards granted to employees and consultants based on their grant date fair value. During the fiscal years ended October 31, 2012 and 2011, we issued 7,100,818 shares and 9,256,045 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") and the CopyTele, Inc. 2010 Share Incentive Plan (the "2010 Share Plan"). We recorded compensation expense for the fiscal years ended October 31, 2012 and 2011 of approximately $927,000 and $1,819,000, respectively, for shares of common stock issued to employees. In addition during fiscal years 2012 and 2011, we issued 457,172 shares and 510,564 shares, respectively, of common stock to consultants for services rendered, including 332,172 shares and 510,564 shares pursuant to the 2003 Share Plan and 2010 Share Plan. We recorded consulting expense for the fiscal years ended October 31, 2012 and 2011 of approximately $76,000 and $113,000, respectively, for shares of common stock issued to consultants.

Preferred Stock

In May 1986, our shareholders authorized 500,000 shares of preferred stock with a par value of $100 per share. The shares of preferred stock may be issued in series at the direction of the Board of Directors, and the relative rights, preferences and limitations of such shares will all be determined by the Board of Directors. As of October 31, 2012 and 2011, there was no preferred stock issued and outstanding.

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Stock Option Plans

As of October 31, 2012, we have two stock option plans: the 2003 Share Plan and the 2010 Share Plan which were adopted by our Board of Directors on April 21, 2003 and July 14, 2010, respectively.

During the fiscal year ended October 31, 2011, the remaining outstanding options granted under the CopyTele, Inc. 2000 Share Incentive Plan (the "2000 Share Plan") expired. In accordance with the provisions of the 2000 Share Plan, the plan terminated with respect to the grant of future options on May 8, 2010. The exercise price with respect to all of the stock 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. Information regarding the 2000 Share Plan for the two years ended October 31, 2012 is as follows:

	Shares	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Options Outstanding at October 31, 2010	870,466	$0.66	
Expired	(870,466)	$0.66	
Options Outstanding and Exercisable at October 31, 2011 and 2012	-0-	$-0-	$-0-

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. The maximum number of shares of common stock available for issuance under the 2003 Share Plan is 70,000,000 shares. The 2003 Share Plan was administered by the Stock Option Committee through June 2004, from June 2004 through July 2010, by the Board of Directors, from July 2010 through August 2012, by the Stock Option Committee and since August 2012, by the Executive Committee of the Board of Directors, which determines the option price, term and provisions of each option. 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 October 31, 2012, the 2003 Share Plan had 48,545 shares available for future grants. Information regarding the 2003 Share Plan for the two years ended October 31, 2012 is as follows:

	Shares	Current Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Options Outstanding at October 31, 2010	18,112,045	$ 0.80	
Expired	(60,000)	$ 0.59	
Exercised	(500,000)	$ 0.25	
Options Outstanding and Exercisable at October 31, 2011	17,552,045	$ 0.81	
Granted	60,000	$ 0.072	
Forfeited	195,000		
Cancelled	(1,067,000)	$ 0.86	
Options Outstanding at October 31, 2012	16,350,045	$ 0.715	$ 222,000
Options Exercisable at October 31, 2012	16,290,045	$ 0.718	$ 211,000

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The following table summarizes information about stock options outstanding under the 2003 Share Plan as of October 31, 2012:

	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
$0.072-$0.37	2,070,000	3.97	$0.154	2,010,000	3.95	$0.161
$0.43 - $0.70	5,445,970	2.92	$0.60	5,445,970	2.92	$0.60
$0.74 - $0.92	6,529,075	3.60	$0.85	6,529,075	3.60	$0.85
$1.04 - $1.46	2,305,000	3.17	$1.10	2,305,000	3.17	$1.10

During the fourth quarter of fiscal year 2012 the company decreased the option price for options to purchase 1,840,000 shares from the original exercise price to $0.145 per share for eleven employees and recorded stock-based compensation expense related to this re-pricing of approximately $85,000. Such compensation expense is included in the accompanying 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.

The 2010 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. The maximum number of shares of common stock available for issuance under the 2010 Share Plan was initially 15,000,000 shares. On July 6, 2011, the 2010 Share Plan was amended by our Board of Directors to increase the maximum number of shares of common stock that may be granted to 27,000,000 shares, and on August 29, 2012, the maximum number of shares was further increased to 30,000,000 shares. Current and future non-employee directors are automatically granted nonqualified stock options to purchase up to 60,000 shares of common stock upon their initial election to the Board of Directors and 60,000 shares of common stock at the time of each subsequent annual meeting of our shareholders at which they are elected to the Board of Directors. The 2010 Share Plan was administered by the Stock Option Committee through August 2012, and since August 2012 by the Executive Committee of the Board of Directors, which determines the option price, term and provisions of each option. The exercise price with respect to the options granted under the 2010 Share Plan was equal to the fair market value of the underlying common stock at the grant date. As of October 31, 2012, the 2010 Share Plan had 1,255,020 shares available for future grants. Information regarding the 2010 Share Plan for the two fiscal years ended October 31, 2012 is as follows:

	Shares	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Options Outstanding at October 31, 2010	1,035,000	$ 0.21	
Granted	5,135,000	$ 0.25	
Exercised	(5,120,000)	$ 0.23	
Options Outstanding at October 31, 2011	1,050,000	$ 0.31	
Granted	3,060,000	$ 0.19	
		$ 0	
Exercised	(1,290,000)	16	
Options Outstanding at October 31, 2012	2,820,000	$ 0.248	$ 109,730
Options Exercisable at October 31, 2012	1,928,750	$ 0.261	$ 73,346

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The following table summarizes information about stock options outstanding under the 2010 Share Plan as of October 31, 2012:

	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
$0.12 - $0.37	2,820,000	6.82	$0.248	1,928,750	5.57	$0.261

In addition to options granted under the stock option plans, in September 2012, in connection with our new executive team the Board of Directors approved the grant of nonqualified stock options to purchase 41.5 million shares of our common stock.

Of these stock options, options to purchase 40 million shares were issued to our new executive team, consisting of 16,000,000 stock options issued to our new President and Chief Executive Officer, 8,000,000 stock options issued to our new Senior Vice President of Engineering and 16,000,000 stock options issued to a new strategic advisor to the Company. These stock options have an exercise price of $0.2175 (the average of the high and the low sales price of the common stock on the trading day immediately preceding the approval of such options by the Board of Directors), have a term of ten years and an aggregate intrinsic value at October 31, 2012 of $1,660,000. Half of these stock options vest in 36 equal monthly installments commencing on October 31, 2012, provided that if the grantees are terminated by the Company without cause, an additional 12 months of vesting will be accelerated and such accelerated options will become immediately exercisable. The balance of the stock options will vest in three equal installments upon achievement of a cash milestone and two stock price targets. As of October 31, 2012, 555,575 of these stock options were exercisable with an aggregate intrinsic value of $23,056. These stock options otherwise have the same terms and conditions as options granted under the Company's 2010 Share Incentive Plan.

The remaining stock options to purchase 1.5 million shares consisted of grants of 750,000 stock options to our Chairman in compensation for his service as interim Chief Executive Officer of the Company and as compensation for his prior service as a director, and 750,000 stock options to a director in compensation for his service in recruiting the Company's new management team. These stock options have an exercise price of $0.2225 (the average of the high and low sales price on September 21, 2012) and have an aggregate intrinsic value at October 31, 2012 of $54,750. The options vest in 3 equal annual installments of 250,000 commencing on September 21, 2012 and have a term of ten years. As of October 31, 2012, 500,000 options were exercisable with an aggregate intrinsic value of $18,250.

The following table summarizes information about stock options outstanding as of October 31, 2012, which were not granted under the stock option plans:

	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
$0.2175 - $0.2225	41,500,000	9.89	$0.2178	1,055,575	9.89	$0.2199

7. COMMITMENTS AND CONTINGENCIES

Leases

We lease space at our principal location for office and laboratory research facilities. The current lease is for approximately 12,000 square feet and expires on November 30, 2014. The lease contains base rentals of approximately $312,000 per annum and an escalation clause for increases in certain operating costs. As of October 31, 2012, our non-cancelable operating lease commitments are approximately $313,000 for each of the years ending October 31, 2013 and 2014. Subsequent to October 31, 2012, we have begun to vacate and return certain portions of our facilities to the landlord for possible re-letting.

Rent expense for the fiscal years ended October 31, 2012 and 2011, was approximately $305,000 and $307,000, respectively.

Litigation Matters

On January 28, 2013, we filed a lawsuit in the United States Federal District Court for the Northern District of California against AUO and E Ink in connection with the AUO License Agreements, alleging breach of contract and other charges, and are seeking compensatory, punitive, and treble damages. In addition to numerous material breaches by AUO of the AUO License Agreements , the Complaint alleges that AUO and E Ink conspired to obtain rights to CopyTele's ePaper® Electrophoretic Display technology, and CopyTele's Nano Field Emission Display technology. CopyTele alleges that such activities violated several State and Federal anti-trust and unfair competition statutes for which punitive and/or treble damages are applicable. We can give no assurance as to the potential outcome of this litigation.

On January 28, 2013, CopyTele also initiated a patent infringement lawsuit in the Federal District Court for the Northern District of California against E Ink, regarding certain patents owned by CopyTele pertaining to CopyTele's ePaper® Electrophoretic Display technology. CopyTele alleges that E Ink has infringed and continues to infringe such patents in connection with the manufacture, sale, use, and importation of eReaders, and other devices with electrophoretic displays. We can give no assurance as to the potential outcome of this litigation.

Commencing in the fourth quarter of fiscal year 2012 the primary operations of the Company involved patent licensing in connection with the unauthorized use of patented technologies and patent enforcement. In connection with any of our patent enforcement actions, it is possible that a defendant may request and/or a court may rule that we have violated statutory authority, regulatory authority, federal rules, local court rules, or governing standards relating to the substantive or procedural aspects of such enforcement actions. In such event, a court may issue monetary sanctions against us or award attorney's fees and/or expenses to a defendant(s), which could be material.

Other than the foregoing, we are not a party to any material pending legal proceedings. We are party to claims and complaints that arise in the ordinary course of business. We believe that any liability that may ultimately result from the resolution of these matters will not, individually or in the aggregate, have a material adverse effect on our financial position or results of operations.

8. EMPLOYEE PENSION PLAN

We adopted a qualified noncontributory defined contribution pension plan, effective November 1, 1983, covering all of our present employees. Contributions, which were made to a trust and funded on a current basis, were based upon specified percentages of compensation, as defined in the plan. During fiscal year 2001, we amended the plan to suspend benefit accruals as of November 1, 2000. The plan was terminated as of December 31, 2011 and the individual employee account balances will be distributed upon acceptance of termination filings with the Internal Revenue Service. Accordingly, we did not incur any pension expense for the fiscal years ended October 31, 2012 and 2011.

9. INCOME TAXES

Income tax provision (benefit) consists of the following:

	Year Ended October 31,	
	2012	2011
Federal:		
Current	$ -	$ -
Deferred	992,000	5,653,000
State:		
Current	-	-
Deferred	32,000	(10,000)
Foreign:		
Current	-	600,000
Adjustment to valuation allowance related to net deferred tax assets	(1,024,000)	(5,643,000)
	$ -	$ 600,000

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset, net, at October 31, 2012 and 2011, are as follows:

	2012	2011
Long-term deferred tax assets:		
Federal and state NOL and tax credit carryforwards	$ 24,284,000	$ 25,062,000
Unrealized gain (loss) on available for sale securities	-	-
Deferred Compensation	2,255,000	2,244,000
Deferred Revenue	404,000	724,000
Other	448,000	385,000
Subtotal	27,391,000	28,415,000
Less: valuation allowance	(27,391,000)	(28,415,000)
Deferred tax asset, net	$ -	$ -

As of October 31, 2012, we had tax net operating loss and tax credit carryforwards of approximately $69,327,000 and $1,358,000, respectively, available, within statutory limits (expiring at various dates between 2013 and 2032), to offset any future regular Federal corporate taxable income and taxes payable. If the tax benefits relating to deductions of option holders' income are ultimately realized, those benefits will be credited directly to additional paid-in capital. Certain changes in stock ownership can result in a limitation on the amount of net operating loss and tax credit carryovers that can be utilized each year.

We had tax net operating loss and tax credit carryforwards of approximately $69,228,000 and $21,000, respectively, as of October 31, 2012, available, within statutory limits, to offset future New York State corporate taxable income and taxes payable, if any, under certain computations of such taxes. The tax net operating loss carryforwards expire at various dates between 2013 and 2031 and the tax credit carryforwards expire between 2013 and 2027.

During the fiscal year ended October 31, 2011, we received a $3,000,000 license fee from AUO which was subject to a 20% foreign withholding tax. The $600,000 withholding tax, at the election of the Company, could be deducted as an operating expense for US income tax purposes or credited against future US income tax.

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We have provided a valuation allowance against our deferred tax asset due to our current and historical pre-tax losses and the uncertainty regarding their realizability. The primary differences from the Federal statutory rate of 34% and the effective rate for the fiscal years ended October 31, 2012 and 2011 of 0% and 8.85%, respectively, is attributable to certain permanent differences, a change in the valuation allowance and foreign taxes. The following is a reconciliation of income taxes at the Federal statutory tax rate to income tax expense (benefit):

	Year Ended October 31,			
	2012		2011	
Income tax benefit at U.S. Federal statutory income tax rate	$ (1,446,000)	(34%)	$ (2,305,000)	(34%)
State income taxes	(2,000)	(.06%)	(4,000)	(.06%)
Permanent differences	8,000	.19%	10,000	.15%
Credits	(63,000)	(1.48%)	(89,000)	(1.31%)
Expiring net operating losses, credits and other	2,527,000	59.44%	7,444,000	109.83%
Foreign rate difference on impairment	-	-	587,000	8.65%
Foreign withholding tax	-	-	600,000	8.85%
Change in valuation allowance	(1,024,000)	(24.09%)	(5,643,000)	(83.26%)
Income tax provision	$ -	0%	$ 600,000	8.85%

During the two fiscal years ended October 31, 2012, we incurred no Federal and no State income taxes. We account for interest and penalties related to income tax matters in selling, general and administrative expenses.

10. SEGMENT INFORMATION

We follow the accounting guidance of ASC 280 "Segment Reporting" ("ASC 280"). Reportable operating segments are determined based on management's approach. The management approach, as defined by ASC 280, is based on the way that the chief operating decision-maker organizes the segments within an enterprise for making operating decisions and assessing performance. In the past, the primary operations of the Company involved licensing in connection with and the development of patented technologies. Commencing in the fourth quarter of fiscal year 2012 the primary operations of the Company involved patent licensing in connection with the unauthorized use of patented technologies and patent enforcement. Prior to the change in the primary operations of the Company, the chief operating decision-maker managed the enterprise in two segments: (i) Display Technology and (ii) Encryption Products and Services. Subsequent to the change, chief operating decision-maker manages the enterprise as a single segment which includes the licensing and enforcement of patents from both of the previous segments.

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Geographic Information

We generate revenue both domestically (United States) and internationally. International revenue is based on the country in which our customer (distributor) is located. For the fiscal years ended October 31, 2012 and 2011, and as of each respective year-end, revenue and accounts receivable by geographic area are as follows:

Geographic Data	2012	2011
Net revenue:		
United States	$ 4,275	$ 101,823
Taiwan	940,010	872,670
Other International	2,800	28,700
	$ 947,085	$ 1,003,193

11. QUARTERLY RESULTS (UNAUDITED)

The following table sets forth unaudited financial data for each of our last eight fiscal quarters:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year Ended October 31, 2012:				
Statement of Operations Data:				
Net revenue	$ 449,195	$ 248,070	$ 249,470	$ 350
Cost and operating expenses	1,336,451	1,126,268	892,808	1,726,114
Net loss	(886,085)	(877,109)	(629,102)	(1,860,503)
Net loss per share of common stock- basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)
Year Ended October 31, 2011:				
Statement of Operations Data:				
Net revenue	$ 16,958	$ 86,915	$ 450,360	$ 448,960
Cost and operating expenses	1,543,096	1,374,469	1,658,018	1,455,876
Net loss	(1,526,109)	(1,287,040)	(1,773,498)	(2,791,389)
Net loss per share of common stock- basic and diluted	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)

EXHIBIT 3.2

CERTIFICATE OF AMENDMENT

TO THE

CERTIFICATE OF INCORPORATION

COPYTELE, INC.

Pursuant to Section 242 of the General Corporation Law of The State of Delaware

THE UNDERSIGNED, Robert A. Berman, being the President and Chief Executive Officer of CopyTele, Inc., a corporation organized and existing under the laws of the State of Delaware (the "**Company**"), does hereby certify:

1. That the Board of Directors (the "**Board**") of the Company, at a meeting duly convened and held on September 12, 2012, approved resolutions adopting a proposed amendments to article FOURTH of the Certificate of Incorporation of the Company, as heretofore amended, declaring the advisability of the amendment, and directing that said proposed amendment be considered at the next annual meeting of the Company by the stockholders entitled to vote in respect thereof, said resolutions adopted by the Board of Directors state:

RESOLVED, that the Board of Directors of CopyTele, Inc. hereby declares it advisable:

(A) That the number of shares of Common Stock which the Company is authorized to issue be increased from 240,000,000 shares of Common Stock of the par value of $.01 per share to 300,000,000 shares of the par value of $.01 per share, effective at the close of business on the date on which the appropriate Certificate of Amendment to the Company's Certificate of Incorporation is filed in the office of the Secretary of State of the State of Delaware.

(B) That, in order to effect the foregoing, the Certificate of Incorporation of the Company, as heretofore amended, be further amended by deleting the first sentence of article FOURTH, and by inserting in place thereof a new first sentence of said article FOURTH to read as follows:

> "FOURTH: The total number of shares of stock that the Corporation shall have authority to issue is three hundred million five hundred thousand (300,500,000), of which three hundred million (300,000,000) shall be Common Stock of the par value of $.01 per share and five hundred thousand (500,000) shall be Preferred Stock of the par value of $100 per share."

RESOLVED, that the officers of the Company are authorized and directed to solicit and obtain the approval of the Amendment to the Certificate of Incorporation by the stockholders of the Company entitled to vote thereon at the Company's next Annual Meeting of Stockholders.

RESOLVED that, subject to the approval of a majority of the holders of the common stock of the Company, the officers of the Company are hereby authorized and directed to file the Certificate of Amendment with the Delaware Secretary of State, and to take all further action and execute all further documents that they deem necessary or advisable to carry out the intent of those resolutions.

The text of the proposed amendment was included in the Company's Proxy Statement for the 2012 Annual Meeting of Stockholders, and the body of the Proxy Statement contained a discussion of the proposed amendment.

2. That thereafter, on November 30, 2012, at 10:30 a.m. in Woodbury, New York, in accordance with the Bylaws of the Company, and upon notice given in accordance with the laws of the State of Delaware and said Bylaws, the Annual Meeting of Stockholders of the Company was held, and there were present at such meeting, in person or by proxy, the holders of more than a majority of the shares of Common Stock of the Company outstanding and entitled to vote, constituting a quorum of said stockholders.

3. That at said Annual Meeting of Stockholders, the proposal to amend article FOURTH of the Certificate of Incorporation, as heretofore amended, was presented for consideration, and separate votes of the holders of the outstanding shares of Common Stock, voting in person or by proxy, were taken for and against the proposed amendment. The necessary number of shares as required by statute or the Certificate of Incorporation voted in favor of the proposal to amend article FOURTH to the Certificate of Incorporation, as heretofore amended.

4. That said amendment to article FOURTH of the Certificate of Incorporation of CopyTele, Inc. as hereinbefore set forth have been therefore duly adopted in accordance with the provisions of Section 242 of the General Corporation Laws of the State of Delaware.

IN WITNESS WHEREOF Robert A. Berman, being the President and Chief Executive Officer of the Company, has duly executed this Certificate of Amendment this 4th day of December, 2012 and affirms, under the penalties of perjury, that the statements herein are true and correct.

COPYTELE, INC.

By: /s/ Robert A. Berman

Robert A. Berman
President and Chief Executive Officer

EXHIBIT 10.29

January 28, 2013

VIA Fax 886-3-563-2871 and Mail

AU Optronics Corp.
1 Li-Hsn Road 2
Hsinchu, Taiwan
Attn: Paul Lee, Sr. Legal Counsel

Dear Mr. Lee:

As you are aware, on October 5, 2012, CopyTele notified AUO Optronics Corp. ("AUO") of AUO's continuing material breaches of the Exclusive License Agreement dated May 27, 2011 (the "EPD Agreement"), and the License Agreement dated May 27, 2011 (the "Nano Agreement"), and CopyTele's intent to terminate the EPD Agreement and the Nano Agreement.

Since the October 5 notice, AUO has declined numerous requests to meet with CopyTele to discuss the pendency of EPD Agreement and the Nano Agreement, including the amicable resolution of all issues in dispute, and the potential cure of AUO's breaches of the agreements.

As a result of AUO's unwillingness to meet with CopyTele, and the continued material breaches of the EPD Agreement and the Nano Agreement by AUO, effective immediately, CopyTele hereby terminates the EPD Agreement and the Nano Agreement, in their entireties, including without limitation any and all rights, licenses, and sublicensing rights to the Licensed Technology and the Licensed Patents, as defined in the respective agreements. Additionally and in the alternative, CopyTele hereby demands the rescission of the EPD Agreement and the Nano Agreement.

CopyTele offers to restore the consideration that CopyTele has received under those Agreements

as set off against CopyTele's damages incurred as a result of AUO's conduct.

Thank you.

Sincerely,

Robert A. Berman

CopyTele, Inc
900 Walt Whitman Road, Melville, NY 11747

Exhibit 10.35

CopyTele, Inc. has redacted certain confidential information in this agreement in reliance upon its confidential treatment request that it filed with the Securities and Exchange Commission pursuant to Rule 406 under the Securities Act of 1933, as amended. In this agreement, we indicate each redaction by use of the following symbol [***]. Such Confidential portions have been omitted and filed separately with the Commission).

EMPLOYMENT AGREEMENT

This Employment Agreement (***"Agreement"***) is hereby made and entered into as of the 19th day of September, 2012 (the "Effective Date"), by and between COPYTELE, INC., a Delaware corporation the (***"Company"***), and Robert A. Berman (***"Employee"***).

WITNESSETH:

WHEREAS, the Company desires to employ Employee and Employee desires to be employed by the Company on a full-time basis, all in accordance with and subject to the terms and conditions set forth herein; and;

NOW THEREFORE, in consideration of the promises and mutual obligations hereinafter set forth, the Company and Employee hereby agree as follows:

Section 1. Employment. The Company hereby employs Employee, and Employee hereby accepts such employment with the Company, upon the terms and conditions contained in this Agreement. As a condition of Employee's employment by the Company, Employee affirms and represents that Employee is under no obligation to any former employer or other Person which is in any way inconsistent with, or which imposes any restriction upon, Employee's acceptance of employment with the Company, continued employment with the Company, or Employee's undertakings under this Agreement.

Section 2. Term of Agreement. The Company and Employee may terminate the employment relationship and this Agreement for any reason or no reason, at any time, subject to the notice requirements set forth in Section 16 hereof. Upon termination of this Agreement, the Company shall have no further obligation or liability hereunder to pay or provide salary, compensation, or other benefits to Employee except as explicitly set forth herein or pursuant to any Company severance plan that may be in effect from time to time. Employee acknowledges and affirms that the employment relationship is at-will and may be terminated at any time and for any reason or no reason, and Employee holds no expectation to the contrary.

Section 3. Duties and Location.

(a) During Employee's term of employment, he shall serve as President and Chief Executive Officer of the Company (an exempt position), report to the Chairman of the Board of the Company and shall have such duties and authority usual and appropriate for that position. Employee shall also perform such other reasonable employment duties as the Chairman of the Board of the Company may from time to time

reasonably prescribe. Upon achievement of the Cash Milestone, the Company agrees to move its headquarters from Melville, New York to Los Angeles, California. Prior to the achievement of the Cash Milestone, Employee shall be permitted to work from Los Angeles, CA and shall travel to the Company's current headquarters in Melville, NY as often as Employee deems is reasonably necessary.

(b) Except as to any pre-existing obligations, membership or position which Employee has notified the Board of Directors of the Company (the "**Board**") in writing or as may otherwise be approved by the Board with respect to memberships on the boards of directors of, or other offices or positions in, companies or organizations which, in the reasonable judgment of the Board, will not conflict with Employee's obligations under Sections 8 and 10, and not present any direct conflict of interest with the interests of the Company or any of its subsidiaries or materially and substantially affect the performance of Employee's duties and/or disrupt the operations of the Company or any of its subsidiaries, and except during vacation periods and reasonable periods of absence due to sickness, personal injury or other disability, Employee shall devote his full working time during normal business hours throughout his term of employment to the services required of Employee hereunder, shall render his services exclusively to the Company and its subsidiaries during his term of employment, and shall use his best efforts, judgment and energy to improve and advance the business and interests of the Company and its subsidiaries in a manner consistent with the duties of Employee's position.

Section 4. Compensation.

(a) ***Base Salary***. As compensation for the services to be performed by Employee during his term of employment, the Company shall pay or shall cause to be paid to Employee an annual base salary of $290,000 (***"Salary"***); provided, however, that the Salary shall accrue but shall not be payable until the Cash Milestone (as hereinafter defined) is achieved. The payment of any Salary hereunder shall be subject to applicable withholding and payroll taxes, and such other deductions as may be required under the Company's employee benefit plans. Any Salary payable shall be paid in accordance with law and the Company's salary administration practices as they may from time to time exist, but in no event shall be paid less than two (2) times per month.

(b) ***Bonus*.**

(i) Employee shall be eligible to receive the following bonuses and on the following terms and conditions:

(A) a one-time bonus equal to $50,000 (the ***"Cash Milestone Bonus"***), upon the generation of one or more cash payments or transfer of one or more assets to the Company which in the aggregate equal or exceed or have a fair market value equal to or in excess of $[***] million (the ***"Cash Milestone"***) within 12 months of the Effective Date. The Cash Milestone may be achieved in installments via, without limitation, the sale of the Company's common or preferred stock, the sale, licensing, exchange, or enforcement of one or more Company assets, the collection of proceeds resulting from the Company's

existing or hereafter entered into license agreements, or any debt or equity financing arrangement approved by the Company's Board of Directors which results in cash proceeds being paid to the Company.

(B) a one-time bonus equal to $50,000 (the ***"First Target Price Bonus"***), if the Average Market Price of the Company's Common Stock (as hereinafter defined) exceeds $[***] per share (the ***"First Target Price"***) within 12 months from the Effective Date; and

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(C) a one-time bonus equal to $50,000 (the ***"Second Target Price Bonus"***); if the Average Market Price of the Company's Common Stock exceeds $[***] per share (the ***"Second Target Price"***) within 12 months of the Effective Date.

(ii) The Company shall pay the Cash Milestone Bonus, the First Target Price Bonus and Second Target Price Bonus to Employee within 30 days of the achievement of such bonus or bonuses, but only if Employee was still employed by the Company on the date such respective bonus or bonuses were achieved.

(c) ***Equity Rights***. On the date hereof, as additional compensation for his services to the Company under this Agreement, the Company hereby grants to Employee the following options (the ***"Options"***) to purchase shares of the Company's common stock, par value $0.01 per share (the ***"Common Stock"***).

(i) An Option to purchase 8,000,000 shares of Common Stock. The exercise price of the Option shall equal the average of the high and the low trading price of the Common Stock on the Trading Day immediately preceding the approval of such options by the Board of Directors (the ***"Grant Date"***), shall expire ten years after the Grant Date and shall vest in 36 equal monthly installments commencing on the Grant Date (provided, however, that in the event Employee's employment is terminated or constructively terminated at any time by the Company without Cause (as hereinafter defined), an additional 12 months of vesting shall be accelerated and become exercisable (the ***"Accelerated Options"***) and otherwise pursuant to the terms and conditions of Time Vested Stock Option Agreement, a copy of which is attached hereto as Exhibit A.

(ii) An Option to purchase 8,000,000 shares of Common Stock. The exercise price of the Option shall equal the average of the high and the low trading price of the Common Stock on the Trading Day immediately preceding the Grant Date, shall expire ten years after the Grant Date and shall vest as follows: (x) as to 2,666,667 shares upon the achievement of the Cash Milestone, (y) as to 2,666,667 shares upon the occurrence of the First Target Price, and (z) as to 2,666,666 shares upon the occurrence of the Second Target Price, and otherwise pursuant to the terms and conditions of Performance Based Stock Option Agreement, a copy of which is attached hereto as Exhibit B.

All Options granted hereunder shall be subject to terms and conditions that are no less favorable

than the terms set forth in the Company's 2010 Share Incentive Plan, the terms and conditions of which are incorporated herein by reference. Notwithstanding the foregoing option grants, the Options shall not be exercisable unless and until (i) an amendment to the Company's Certificate of Incorporation increasing the number of shares of Common Stock to 300 million has been approved by stockholders, (ii) the Options have been approved by stockholders in accordance with California law or exemption from registration is available under the California "blue sky" laws, and (iii) a Registration Statement on Form S-8 covering the shares of Common Stock issuable upon exercise of the Options shall have been filed with the Securities and

Exchange Commission. The Company shall use its best efforts to meet the conditions set forth in (i), (ii) and (iii) above as soon as reasonably practical.

Section 5. Benefits. Employee shall be eligible to participate in all employee fringe benefits, stock options, bonus, incentive compensation programs or plans, deferred compensation programs or plans, pension and/or profit sharing plans, life or other similar insurance plans, medical and health plans or other employee welfare benefit plans that may be provided by the Company for employees similarly situated to Employee in accordance with the provisions of any such programs or plans; provided, however, that nothing herein shall be construed to obligate the Company to establish any such plan or program not already existing, and provided further that the Company expressly reserves the right to alter, modify, amend or terminate at the Company's sole discretion any such programs or plans, whether currently existing or hereafter adopted, at any time and from time to time, and for any reason, during his term of employment. Employee shall also be entitled to annual paid vacation and other leave in accordance with any Company policy that may be applicable to similarly situated employees. All of the foregoing in this Section 5 shall be collectively referred to herein as the ***"Benefits."***

Section 6. Expenses. The Company recognizes that Employee may incur certain out-of-pocket expenses related to his services and the Company's business. Therefore, the Company, shall upon submission and approval of an expense report which is reasonably acceptable to the Company, reimburse Employee within 30 days for all reasonable and necessary business expenses incurred by him in connection with the performance of Employee's obligations hereunder in accordance with Company policies existing at the time the report is submitted, as may be amended from time to time within the sole and reasonable discretion of the Company. The Company shall reimburse Employee for any professional association dues or subscriptions that may be beneficial to Employee in connection with the services provided by Employee hereunder. As a condition of all reimbursements, Employee agrees to comply with the Company's reasonable policies and procedures regarding business expenses. For purposes of satisfying Section 409A of the Internal Revenue Code of 1986, as amended (the ***"Code"***), the parties agree that the amounts reimbursed hereunder for one calendar year shall not affect the amounts reimbursed for other calendar years, and reimbursement payments, if any, shall in all events be made no later than the end of the calendar year following the calendar year in which the applicable business expense is incurred.[1]

Section 7. Rights and Benefits Upon Termination

(a) In the event Employee's employment is terminated by the Company or Employee's employment is terminated by Employee for any reason or no reason, the Company shall be obligated to pay to Employee only any earned compensation and/or bonus due pursuant to Section 4 and Section 16, any unpaid reasonable and necessary expenses under Section 6, and any accrued and unpaid benefits due to Employee in accordance with the terms and conditions of the Company's benefit plans and policies including any accrued but unpaid vacation up to the cap of 20 days through the date of termination. All such payments shall be made in a lump sum to Employee immediately following termination as required by law.

(b) In the event of the termination of Employee's employment with the Company, all provisions of this Agreement shall be terminated on the date that Employee's employment with the Company ends and shall have no further force and effect except that the provisions of Sections 8 through 11, 14, 17, 20, 22, 24, and 25 shall survive termination of this Agreement and continue in full force and effect for the period

provided therein.

Section 8. Confidentiality and Non-Disclosure.

(a) **Protection of Company Confidential Information**. Employee agrees to use his reasonable efforts to protect and hold in confidence all Company Confidential Information, as defined in Section 24(e) below. Employee acknowledges and agrees that his relationship with the Company with respect to Confidential Information is fiduciary in nature. Employee agrees that he will not, either during or after the termination of Employee's employment, directly or indirectly use any of the Company Confidential Information, and will not directly or indirectly knowingly disclose, communicate or disseminate (orally or in writing, digitally or electronically) any of the Company Confidential Information to any party for any purpose other than to fulfill Employee's authorized obligations to the Company in connection with his employment with the Company or as otherwise required by subpoena, court order or operation of law under Section 8(f). Employee agrees to comply with these non-disclosure and non-use obligations for the duration of Employee's employment with the Company and at all times thereafter.

(b) **Protection of Company Trade Secrets**. Employee agrees to use his reasonable efforts to protect and hold in confidence all of the Company's Trade Secrets, as defined in Section 24(h) below. Employee agrees that he will not directly or indirectly use any of the Company's Trade Secrets, and will not directly or indirectly knowingly disclose, communicate or disseminate (orally or in writing, digitally or electronically) any of the Company's Trade Secrets to any party for any purpose other than to fulfill Employee's authorized obligations to the Company in connection with his employment with the Company or as otherwise required by subpoena, court order or operation of law under Section 8(f). Employee agrees to comply with these non-disclosure and non-use obligations for the duration of Employee's employment with the Company and at all times thereafter.

(c) **Inventions, Ideas and Patents**. Employee agrees to disclose promptly to the Company (which shall receive it in confidence), and only to the Company, any invention or idea conceived, developed by Employee alone or with others (whether or not patentable or registrable under patent, copyright or similar statutes and including all rights to obtain, register, perfect, and enforce those property interests), at any time during Employee's employment with the Company or after his termination of employment with the Company where such invention or idea relates directly to the then current business of the Company (an ***"Invention"***). Employee agrees that any Invention shall belong to the Company without further compensation to Employee, and Employee hereby assigns to the Company any and all intellectual property and other legal rights to any such Invention. Employee will cooperate with the Company and sign all papers deemed necessary by the Company to enable it to obtain, maintain, protect and defend exclusive ownership of all rights in such Inventions. Employee's obligation to assist the Company or any person designated by it in obtaining and enforcing its rights shall continue beyond the cessation of Employee's employment. The Company will compensate Employee for reasonable expenses and other

costs incurred by Employee in assisting Company to enforce said rights.

Notwithstanding the foregoing, Employee understands that this Agreement does not apply to an Invention which qualifies fully under the provisions of California Labor Code section 2870(a). That section provides:

> Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either: (1) relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or (2) result from any work performed by the employee for the employer.

Employee has listed in Exhibit C all Inventions or improvements relevant to the subject matter of his employment with the Company that have been made or conceived of or first reduced to practice by Employee alone or jointly with others before his employment and that are excluded from the operation of this Agreement. This list includes all unpatented but potentially patentable ideas and inventions conceived prior to his employment which have not been assigned to a former employer. Employee represents and warrants that such list is complete.

(d) **Work Product.** All writings, tapes, recordings, computer programs and other works in any tangible medium of expression, and all other work product that Employee has prepared or that others have prepared at Employee's direction, or to which Employee has contributed, in connection with his employment with the Company (collectively "***Work Product***"), and all copyrights and other intellectual property and other rights in and to the Work Product, belong solely, irrevocably and exclusively throughout the world to the Company, in the case of any works of authorship, as works made for hire, as defined by the U.S. copyright laws. However, to the extent any court or agency should conclude that any works of authorship within the Work Product (or any of it) does not constitute or qualify as a "work made for hire," Employee hereby assigns, grants and delivers, solely and irrevocably, exclusively and throughout the world to the Company, all copyrights and other intellectual property rights to such Work Product. Employee also agrees to cooperate with the Company and to execute such other further grants and assignments of all rights as the Company from time to time reasonably may request for the purpose of evidencing, enforcing, registering or defending its ownership of the Work Product and the copyrights and other intellectual property rights in them. Without limiting the preceding provisions of this Section 8(d), Employee agrees that the Company may edit, modify, use, publish and otherwise exploit Work Product in all media and in such manner as the Company, in its sole discretion, may determine.

(e) **Return of Property.** Upon the termination or expiration of Employee's employment with the Company for any reason, or any time upon the Company's request, Employee shall immediately deliver to the Company: (i) all of its software, computers, modems, diskettes, instruments, tools, devices, documents, plans, records, drawings, electronic or digital files or materials, passwords, papers, notes and all other materials, and any copies thereof, in Employee's possession or control that relate in any way to the Company's business, and (ii) all other property relating to Employee's employment, including, without limitation, the Company credit cards, telephone cards, office keys, desk keys and security passes.

(f) Notwithstanding any other provision of this Agreement, Employee may disclose Confidential Information, Trade Secrets, and Work Product to the extent such disclosure is required by law, rule, regulation or legal process; provided, however, that Employee shall where practical, give prompt written notice of any such request for such information to the Company prior to disclosure, and agrees to cooperate with the Company, at the Company's expense, to the extent practicable, to challenge the request or limit the scope thereof, as the Company may reasonably deem appropriate.

Section 9. Indemnification and Insurance Obligations.

If Employee is made a party or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a ***"Proceeding"***), by reason of the fact that Employee is or was a trustee, director, manager or officer of the Company or any subsidiary or is or was serving at the request of the Company or any subsidiary as a trustee, director, manager, officer, member, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, Employee shall be indemnified and held harmless by the Company to the fullest extent authorized by the Delaware General Corporation Law, and the Company's certificate of incorporation and bylaws as the same exist or may hereafter be amended, against all expenses (including, without limitation, reasonable attorney fees) incurred or suffered by Employee in connection therewith, and such indemnification shall continue as to Employee even if Employee has ceased to be an officer, director, manager, trustee or agent, or is no longer employed by the Company and shall inure to the benefit of Employee's heirs, executors and administrators. In addition, the Company shall, if requested by Employee and to the extent permitted by and subject to any terms and conditions contained in, the Delaware General Corporate Law and the Company's certificate of incorporation and bylaws, advance to Employee all amounts necessary to pay any expenses, including reasonable fees and expenses of counsel, incurred by Employee in connection with such proceeding. In order to ensure that resources are available to the Company to satisfy its indemnification obligations hereunder, the Company shall maintain managers and officers insurance with the levels of coverage currently maintained by the Company.

Section 10. Non-Solicitation and Non-Interference.

(a) **Non-Solicitation.** During Employee's employment with the Company, and for a period of one year following the termination of employment with the Company for any reason, with the exception of Amit Kumar and John Roop, Employee shall not directly induce or encourage:

(i) any employee, contractor, director, agent or consultant of the Company to leave his position or seek employment or association with any Person (defined at Section 24(g)) that is a competitor of the Company; or

(ii) any dealer, supplier or customer of the Company to modify or terminate any relationship, whether or not evidenced by a written contract, with the Company.

Section 11. Enforcement of Covenants.

(a) Employee agrees that damages at law for violation of the covenants contained in Sections 8 and 10 would not be an adequate or proper remedy for the Company. Therefore, if Employee violates any of the provisions of such covenants, the Company shall be entitled to obtain a temporary or permanent injunction over the person and subject matter, prohibiting any further violation of any such covenants. The Company shall not be required to post bond. The injunctive relief provided herein shall be in addition to any award of damages, compensatory, exemplary or otherwise, payable by reason of such violation.

Section 12. Non-Disparagement. Employee agrees not to make negative comments or otherwise disparage the Company or its officers, directors, employees, shareholders or agents, in any manner likely to be harmful to them or their business, business reputation or personal reputation. The Company agrees that the members of the Board and officers of the Company as of the date hereof will not, while employed by the Company or serving as a director of the Company, as the case may be, make negative comments about Employee or otherwise disparage Employee in any manner that is likely to be harmful to Employee's business or personal reputation. The foregoing shall not be violated by truthful statements, whether in response to legal process, required governmental testimony or filings, or otherwise and the foregoing limitation on Employee and the Company's directors and officers will not be violated by statements that they in good faith believe are necessary or appropriate to make in connection with performing their duties for or on behalf of the Company.

Section 13. Negotiation at Arms' Length. Employee acknowledges that he has been informed of the advisability of consulting with his own counsel regarding this Agreement, and has in fact consulted counsel, who has participated in the drafting of this Agreement and that this Agreement has been negotiated at arms' length by the parties, and should not be construed against either party as drafter or otherwise. Neither party is under any compulsion to enter into this Agreement, and has entered into the Agreement voluntarily and as their own free act.

Section 14. Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 14):

To the Company: CopyTele, Inc.
900 Walt Whitman Road
Melville NY 11747
Facsimile: (631) 549-5974
Email: hpherms@copytele.com

Attn: Chairman of the Board

To Employee: Robert A. Berman
c/o CopyTele, Inc.
900 Walt Whitman Road
Melville NY 11747
Email: rob@IPDispute.com

Section 15. Entire Agreement; Modification; and Waiver. This Agreement contains the entire understanding between the parties hereto, and supersedes any prior oral or written agreement, with respect to the subject matter hereof and shall not be modified in any manner except by instrument in writing signed, by or on behalf of, the parties hereto. Any of the terms or conditions of this Agreement may be waived in writing at any time by the party which is entitled to the benefits thereof. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provisions hereof (whether similar or not).

Section 16. No Continuing Employment Obligation. Nothing herein shall be construed to place upon the Company a continuing obligation to employ Employee. Employee acknowledges and agrees that other than termination for Cause, his employment may be terminated at any time, by the Company upon 90 days prior written notice.

Section 17. Applicable Law; Jurisdiction.

(a) **Applicable Law**. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California without giving effect to the conflicts of law principles thereof.

(b) **Jurisdiction**. EACH OF THE PARTIES IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS HAVING JURISDICTION OVER LOS ANGELES, CALIFORNIA, AND THAT SUCH COURTS SHALL BE THE EXCLUSIVE JURISDICTION AND VENUE FOR THE PURPOSES OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF THIS AGREEMENT, ANY RELATED AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY OR THEREBY. EACH OF THE PARTIES HERETO FURTHER AGREES THAT SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT BY U.S. REGISTERED MAIL TO SUCH PARTY'S RESPECTIVE ADDRESS SET FORTH ABOVE SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY ACTION, SUIT OR PROCEEDING WITH RESPECT TO ANY MATTERS TO WHICH IT HAS SUBMITTED TO JURISDICTION IN THIS SECTION 17. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF SUCH COURTS' JURISDICTION AND VENUE FOR ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF THIS AGREEMENT, ANY RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY, AND HEREBY AND THEREBY FURTHER IRREVOCABLY AND UNCONDITIONALLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION, SUIT OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

Section 18. Assignment. Employee acknowledges that his services are unique and personal. Accordingly, Employee may not assign his rights or delegate his duties or obligations under this Agreement, except with respect to certain rights to receive payments as described in Section 7(a).

Section 19. Successors; Binding Agreement. The Company's rights and obligations under this Agreement shall inure to the benefit and shall be binding upon the Company's successors and assigns.

Section 20. Attorneys' Fees and Costs. If an action at law or equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief which it or he may be entitled.

Section 21. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties hereto reflected hereon as the signatories. Facsimile or PDF copies of such signed counterparts may be used in lieu of the originals for any purposes.

Section 22. Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability or any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

Section 23. Headings. Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

Section 24. Definitions. For purposes of this Agreement, the following terms shall have the following definitions:

(a) ***"Affiliate"*** means, with respect to any Person, (i) any Person directly or indirectly Controlling, Controlled by or under common Control with such Person, (ii) any Person directly or indirectly owning or Controlling 50% or more of any class of outstanding voting securities of such Person or (iii) any officer, director, general partner or trustee of any such Person described in clause (i) or (ii).

(b) ***"Average Market Price"*** means arithmetic average of the VWAP of the Common Stock for a period of 15 Trading Days.

(c) ***"Business Day"*** means a day other than a Saturday, Sunday or other day on which commercial banks in the City of New York are authorized or required to close.

(d) ***"Cause"*** means, without affecting or modifying the at-will nature of Employee's employment, (i) Employee's commission of or entrance of a plea of guilty or nolo contendere to a felony; (ii) Employee's conviction for engaging or having engaged in fraud, breach of fiduciary duty, a crime of moral turpitude, dishonesty, or other acts of willful misconduct or gross negligence in connection with the business affairs of the Company or its Affiliates; (iii) a conviction for theft, embezzlement, or other intentional misappropriation of funds by Employee from the Company or its Affiliates; or (iv) a conviction in connection with the willful engaging by Employee in conduct which is demonstrably and materially injurious to the Company or its Affiliates, monetarily or otherwise.

(e) ***"Company Confidential Information"*** means any private, non-public or competitively sensitive information or data of or about the Company, its business or the Company's clients that is not generally or readily known by the public or not generally or readily accessible or available to the public. The Company Confidential Information shall be deemed to include, among other things, business plans and financial information relating to the Company, the names, addresses, telephone numbers, contact persons and other identifying information relating to the Company clients, Company business records and personal information relating to the Company's employees, contractors, consultants, directors and agents, including compensation arrangements of such employees and agents. For purposes of this definition, Company Confidential Information shall not include information in the knowledge or possession of Employee prior to the Effective Date. The Company acknowledges that prior to the Effective Date, Employee has substantial knowledge and experience in business and legal matters similar to those matters that may be engaged in by the Company and that nothing herein shall prohibit Employee from using or disclosing any such information.

(f) ***"Independent Third Party"*** means, any Person who is not an Affiliate of the Company.

(g) ***"Person"*** means any individual, corporation, limited liability company, limited or general partnership, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivisions thereof.

(h) ***"Trade Secret"*** means all information or data of or about a party (including but not limited to, confidential business information, technical and non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, lists of actual or potential customers or suppliers) that: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means, by other Persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. The Company acknowledges that prior to the Effective Date, Employee has substantial knowledge and experience in business and legal matters similar to those matters that may be engaged in by the Company and that nothing herein shall prohibit Employee from using or disclosing any such information.

(i) ***"Trading Day"*** means any day on which the Common Stock is listed or quoted and traded on its primary trading market.

(j) ***"VWAP"*** means on any particular Trading Day or for any particular period the volume weighted average trading price per share of the Common Stock on such date or for such period on an primary market as reported by Bloomberg L.P., or any organization performing similar functions.

Section 25. Section 409A. To the extent required to comply with Section 409A of the Code, any payment or benefit required to be paid under this Agreement on account of termination of Employee's employment (or any other similar terms) shall be made only in connection with a "separation from service" with respect to Employee within the meaning of Section 409A of the Code.

In the event that Employee is a "specified employee" (as described in Section 409A of the Code), and any payment or benefit payable pursuant to this Agreement constitutes deferred compensation under Section 409A of the Code, then the Company and Employee shall cooperate in good faith to undertake any actions that would cause such payment or benefit not to constitute deferred compensation under Section 409A of the Code. In the event that, following such efforts, the Company determines (after consultation with its counsel) that such payment or benefit is still subject to the six-month delay requirement described in Section 409A(2)(b) of the Code in order for such payment or benefit to comply with the requirements of Section 409A of the Code, then no such payment or benefit shall be made before the date that is six months after Employee's "separation from service" (as described in Section 409A of the Code) (or, if earlier, the date of Employee's death). Any payment or benefit delayed by reason of the prior sentence (the "Delayed Payment") shall be paid out or provided in a single lump sum at the end of such required delay period in order to catch up to the original payment schedule.

For purposes of applying the provisions of Section 409A of the Code to this Agreement, each separately identified amount to which Employee is entitled under this Agreement shall be treated as a separate payment. In addition, to the extent permissible under Section 409A of the Code, any series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

Section 26. Exhibits.

Any Exhibits attached hereto are incorporated herein by reference and are an integral part of this Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Company and Employee have duly executed and delivered this Agreement as of the day and year first shown above written.

EMPLOYEE:

_____

Robert A. Berman

COPYTELE, INC.

By:_____

Name:

Title:

EXHIBIT a

TIME VESTED STOCK OPTION

EXHIBIT b

PERFORMANCE BASED STOCK OPTION

EXHIBIT C

The following is a complete list of all inventions or improvements relevant to the subject matter of my employment by the Company that have been made or conceived of or first reduced to practice by me, alone or jointly with others, before my employment with the Company:

_____

_____

_____

_____

_____

_____

_____

_____

Exhibit 10.36

CopyTele, Inc. has redacted certain confidential information in this agreement in reliance upon its confidential treatment request that it filed with the Securities and Exchange Commission pursuant to Rule 406 under the Securities Act of 1933, as amended. In this agreement, we indicate each redaction by use of the following symbol [***]. Such Confidential portions have been omitted and filed separately with the Commission).

EMPLOYMENT AGREEMENT

This Employment Agreement (***"Agreement"***) is hereby made and entered into as of the 19th day of September, 2012 (the "Effective Date"), by and between COPYTELE, INC., a Delaware corporation (the ***"Company"***), and John Roop (***"Employee"***).

WITNESSETH:

WHEREAS, the Company desires to employ Employee and Employee desires to be employed by the Company on a full-time basis, all in accordance with and subject to the terms and conditions set forth herein; and;

NOW THEREFORE, in consideration of the promises and mutual obligations hereinafter set forth, the Company and Employee hereby agree as follows:

Section 1. Employment. The Company hereby employs Employee, and Employee hereby accepts such employment with the Company, upon the terms and conditions contained in this Agreement. As a condition of Employee's employment by the Company, Employee affirms and represents that Employee is under no obligation to any former employer or other Person which is in any way inconsistent with, or which imposes any restriction upon, Employee's acceptance of employment with the Company, continued employment with the Company, or Employee's undertakings under this Agreement.

Section 2. Term of Agreement. The Company and Employee may terminate the employment relationship and this Agreement for any reason or no reason, at any time, subject to the notice requirements set forth in Section 16 hereof. Upon termination of this Agreement, the Company shall have no further obligation or liability hereunder to pay or provide salary, compensation, or other benefits to Employee except as explicitly set forth herein or pursuant to any Company severance plan that may be in effect from time to time. Employee acknowledges and affirms that the employment relationship is at-will and may be terminated at any time and for any reason or no reason, and Employee holds no expectation to the contrary.

Section 3. Duties and Location.

(a) During Employee's term of employment, he shall serve as Senior Vice President – Engineering of the Company (an exempt position), report to the Chief Executive Officer of the Company and shall have such duties and authority usual and appropriate for that position. Employee shall also perform such other reasonable employment duties as the Chief Executive Officer the Company may from time to time

reasonably prescribe. Upon achievement of the Cash Milestone, the Company agrees to move its headquarters from Melville, New York to Los Angeles, California. Prior to the achievement of the Cash Milestone, Employee shall be permitted to work from Ben Lomond, CA and shall travel to the Company's current headquarters in Melville, NY as often as Employee deems is reasonably necessary.

(b) Except as to any pre-existing obligations, membership or position which Employee has notified the Board of Directors of the Company (the "**Board**") in writing or as may otherwise be approved by the Board with respect to memberships on the boards of directors of, or other offices or positions in, companies or organizations which, in the reasonable judgment of the Board, will not conflict with Employee's obligations under Sections 8 and 10, and not present any direct conflict of interest with the interests of the Company or any of its subsidiaries or materially and substantially affect the performance of Employee's duties and/or disrupt the operations of the Company or any of its subsidiaries, and except during vacation periods and reasonable periods of absence due to sickness, personal injury or other disability, Employee shall devote his full working time during normal business hours throughout his term of employment to the services required of Employee hereunder, shall render his services exclusively to the Company and its subsidiaries during his term of employment, and shall use his best efforts, judgment and energy to improve and advance the business and interests of the Company and its subsidiaries in a manner consistent with the duties of Employee's position.

Section 4. Compensation.

(a) ***Base Salary***. As compensation for the services to be performed by Employee during his term of employment, the Company shall pay or shall cause to be paid to Employee an annual base salary of $225,000 (***"Salary"***); provided, however, that the Salary shall accrue but shall not be payable until the Cash Milestone (as hereinafter defined) is achieved. The payment of any Salary hereunder shall be subject to applicable withholding and payroll taxes, and such other deductions as may be required under the Company's employee benefit plans. Any Salary payable shall be paid in accordance with law and the Company's salary administration practices as they may from time to time exist, but in no event shall be paid less than two (2) times per month.

(b) ***Bonus*.**

(i) Employee shall be eligible to receive the following bonuses and on the following terms and conditions:

(A) a one-time bonus equal to $50,000 (the ***"Cash Milestone Bonus"***), upon the generation of one or more cash payments or transfer of one or more assets to the Company which in the aggregate equal or exceed or have a fair market value equal to or in excess of $**[***]** million (the ***"Cash Milestone"***) within 12 months of the Effective Date. The Cash Milestone may be achieved in installments via, without limitation, the sale of the Company's common or preferred stock, the sale, licensing, exchange, or enforcement of one or more Company assets, the collection of proceeds resulting from the Company's

existing or hereafter entered into license agreements, or any debt or equity financing arrangement approved by the Company's Board of Directors which results in cash proceeds being paid to the Company.

(B) a one-time bonus equal to $50,000 (the ***"First Target Price Bonus"***), if the Average Market Price of the Company's Common Stock (as hereinafter defined) exceeds $[***] per share (the ***"First Target Price"***) within 12 months from the Effective Date; and

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(C) a one-time bonus equal to $50,000 (the ***"Second Target Price Bonus"***); if the Average Market Price of the Company's Common Stock exceeds $[***] per share (the ***"Second Target Price"***) within 12 months of the Effective Date.

(ii) The Company shall pay the Cash Milestone Bonus, the First Target Price Bonus and Second Target Price Bonus to Employee within 30 days of the achievement of such bonus or bonuses, but only if Employee was still employed by the Company on the date such respective bonus or bonuses were achieved.

(c) ***Equity Rights***. On the date hereof, as additional compensation for his services to the Company under this Agreement, the Company hereby grants to Employee the following options (the ***"Options"***) to purchase shares of the Company's common stock, par value $0.01 per share (the ***"Common Stock"***).

(i) An Option to purchase 4,000,000 shares of Common Stock. The exercise price of the Option shall equal the average of the high and the low trading price of the Common Stock on the Trading Day immediately preceding the approval of such options by the Board of Directors (the ***"Grant Date"***), shall expire ten years after the Grant Date and shall vest in 36 equal monthly installments commencing on the Grant Date (provided, however, that in the event Employee's employment is terminated or constructively terminated at any time by the Company without Cause (as hereinafter defined), an additional 12 months of vesting shall be accelerated and become exercisable (the ***"Accelerated Options"***) and otherwise pursuant to the terms and conditions of Time Vested Stock Option Agreement, a copy of which is attached hereto as Exhibit A.

(ii) An Option to purchase 4,000,000 shares of Common Stock. The exercise price of the Option shall equal the average of the high and the low trading price of the Common Stock on the Trading Day immediately preceding the Grant Date, shall expire ten years after the Grant Date and shall vest as follows: (x) as to 1,333,334 shares upon the achievement of the Cash Milestone, (y) as to 1,333,333 shares upon the occurrence of the First Target Price, and (z) as to 1,333,333 shares upon the occurrence of the Second Target Price, and otherwise pursuant to the terms and conditions of Performance Based Stock Option Agreement, a copy of which is attached hereto as Exhibit B.

All Options granted hereunder shall be subject to terms and conditions that are no less favorable

than the terms set forth in the Company's 2010 Share Incentive Plan, the terms and conditions of which are incorporated herein by reference. Notwithstanding the foregoing option grants, the Options shall not be exercisable unless and until (i) an amendment to the Company's Certificate of Incorporation increasing the number of shares of Common Stock to 300 million has been approved by stockholders, (ii) the Options have been approved by stockholders in accordance with California law or exemption from registration is available under the California "blue sky" laws, and (iii) a Registration Statement on Form S-8 covering the shares of Common Stock issuable upon exercise of the Options shall have been filed with the Securities and Exchange Commission. The Company shall use its best efforts to meet the conditions set forth in (i), (ii) and (iii) above as soon as reasonably practical.

Section 5. Benefits. Employee shall be eligible to participate in all employee fringe benefits, stock options, bonus, incentive compensation programs or plans, deferred compensation programs or plans, pension and/or profit sharing plans, life or other similar insurance plans, medical and health plans or other employee welfare benefit plans that may be provided by the Company for employees similarly situated to Employee in accordance with the provisions of any such programs or plans; provided, however, that nothing herein shall be construed to obligate the Company to establish any such plan or program not already existing, and provided further that the Company expressly reserves the right to alter, modify, amend or terminate at the Company's sole discretion any such programs or plans, whether currently existing or hereafter adopted, at any time and from time to time, and for any reason, during his term of employment. Employee shall also be entitled to annual paid vacation and other leave in accordance with any Company policy that may be applicable to similarly situated employees. All of the foregoing in this Section 5 shall be collectively referred to herein as the ***"Benefits."***

Section 6. Expenses. The Company recognizes that Employee may incur certain out-of-pocket expenses related to his services and the Company's business. Therefore, the Company, shall upon submission and approval of an expense report which is reasonably acceptable to the Company, reimburse Employee within 30 days for all reasonable and necessary business expenses incurred by him in connection with the performance of Employee's obligations hereunder in accordance with Company policies existing at the time the report is submitted, as may be amended from time to time within the sole and reasonable discretion of the Company. The Company shall reimburse Employee for any professional association dues or subscriptions that may be beneficial to Employee in connection with the services provided by Employee hereunder. As a condition of all reimbursements, Employee agrees to comply with the Company's reasonable policies and procedures regarding business expenses. For purposes of satisfying Section 409A of the Internal Revenue Code of 1986, as amended (the ***"Code"***), the parties agree that the amounts reimbursed hereunder for one calendar year shall not affect the amounts reimbursed for other calendar years, and reimbursement payments, if any, shall in all events be made no later than the end of the calendar year following the calendar year in which the applicable business expense is incurred.[1]

Section 7. Rights and Benefits Upon Termination.

(a) In the event Employee's employment is terminated by the Company or Employee's employment is terminated by Employee for any reason or no reason, the Company shall be obligated to pay to Employee only any earned compensation and/or bonus due pursuant to Section 4 and Section 16, any unpaid reasonable and necessary expenses under Section 6, and any accrued and unpaid benefits due to Employee in accordance with the terms and conditions of the Company's benefit plans and policies including any accrued but unpaid vacation up to the cap of 20 days through the date of termination. All such payments shall be made in a lump sum to Employee immediately following termination as required by law.

(b) In the event of the termination of Employee's employment with the Company, all provisions of this Agreement shall be terminated on the date that Employee's employment with the Company ends and shall have no further force and effect except that the provisions of Sections 8 through 11, 14, 17, 20, 22, 24, and 25 shall survive termination of this Agreement and continue in full force and effect for the period provided therein.

Section 8. Confidentiality and Non-Disclosure.

(a) **Protection of Company Confidential Information**. Employee agrees to use his reasonable efforts to protect and hold in confidence all Company Confidential Information, as defined in Section 24(e) below. Employee acknowledges and agrees that his relationship with the Company with respect to Confidential Information is fiduciary in nature. Employee agrees that he will not, either during or after the termination of Employee's employment, directly or indirectly use any of the Company Confidential Information, and will not directly or indirectly knowingly disclose, communicate or disseminate (orally or in writing, digitally or electronically) any of the Company Confidential Information to any party for any purpose other than to fulfill Employee's authorized obligations to the Company in connection with his employment with the Company or as otherwise required by subpoena, court order or operation of law under Section 8(f). Employee agrees to comply with these non-disclosure and non-use obligations for the duration of Employee's employment with the Company and at all times thereafter.

(b) **Protection of Company Trade Secrets**. Employee agrees to use his reasonable efforts to protect and hold in confidence all of the Company's Trade Secrets, as defined in Section 24(h) below. Employee agrees that he will not directly or indirectly use any of the Company's Trade Secrets, and will not directly or indirectly knowingly disclose, communicate or disseminate (orally or in writing, digitally or electronically) any of the Company's Trade Secrets to any party for any purpose other than to fulfill Employee's authorized obligations to the Company in connection with his employment with the Company or as otherwise required by subpoena, court order or operation of law under Section 8(f). Employee agrees to comply with these non-disclosure and non-use obligations for the duration of Employee's employment with the Company and at all times thereafter.

(c) **Inventions, Ideas and Patents**. Employee agrees to disclose promptly to the Company (which shall receive it in confidence), and only to the Company, any invention or idea conceived, developed by Employee alone or with others (whether or not patentable or registrable under patent, copyright or similar statutes and including all rights to obtain, register, perfect, and enforce those property interests), at any time during Employee's employment with the Company or after his termination of employment with the Company where such invention or idea relates directly to the then current business of the Company (an ***"Invention"***). Employee agrees that any Invention shall belong to the Company without further compensation to Employee, and Employee hereby assigns to the Company any and all intellectual property and other legal rights to any such Invention. Employee will cooperate with the Company and sign all papers deemed necessary by the Company to enable it to obtain, maintain, protect and defend exclusive ownership of all rights in such Inventions. Employee's obligation to assist the Company or any person designated by it in obtaining and enforcing its rights shall continue beyond the cessation of Employee's employment. The Company will compensate Employee for reasonable expenses and other costs incurred by Employee in assisting Company to enforce said rights.

Notwithstanding the foregoing, Employee understands that this Agreement does not apply to an Invention which qualifies fully under the provisions of California Labor Code section 2870(a). That section provides:

> Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either: (1) relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or (2) result from any work performed by the employee for the employer.

Employee has listed in Exhibit C all Inventions or improvements relevant to the subject matter of his employment with the Company that have been made or conceived of or first reduced to practice by Employee alone or jointly with others before his employment and that are excluded from the operation of this Agreement. This list includes all unpatented but potentially patentable ideas and inventions conceived prior to his employment which have not been assigned to a former employer. Employee represents and warrants that such list is complete.

(d) **Work Product.** All writings, tapes, recordings, computer programs and other works in any tangible medium of expression, and all other work product that Employee has prepared or that others have prepared at Employee's direction, or to which Employee has contributed, in connection with his employment with the Company (collectively ***"Work Product"***), and all copyrights and other intellectual property and other rights in and to the Work Product, belong solely, irrevocably and exclusively throughout the world to the Company, in the case of any works of authorship, as works made for hire, as defined by the U.S. copyright laws. However, to the extent any court or agency should conclude that any works of authorship within the Work Product (or any of it) does not constitute or qualify as a "work made for hire," Employee hereby assigns, grants and delivers, solely and irrevocably, exclusively and throughout the world to the Company, all copyrights and other intellectual property rights to such Work Product. Employee also agrees to cooperate with the Company and to execute such other further grants and assignments of all rights as the Company from time to time reasonably may request for the purpose of evidencing, enforcing, registering or defending its ownership of the Work Product and the copyrights and other intellectual property rights in them. Without limiting the preceding provisions of this Section 8(d), Employee agrees that the Company may edit, modify, use, publish and otherwise exploit Work Product in all media and in such manner as the Company, in its sole discretion, may determine.

(e) **Return of Property.** Upon the termination or expiration of Employee's employment with the Company for any reason, or any time upon the Company's request, Employee shall immediately deliver

to the Company: (i) all of its software, computers, modems, diskettes, instruments, tools, devices, documents, plans, records, drawings, electronic or digital files or materials, passwords, papers, notes and all other materials, and any copies thereof, in Employee's possession or control that relate in any way to the Company's business, and (ii) all other property relating to Employee's employment, including, without limitation, the Company credit cards, telephone cards, office keys, desk keys and security passes.

(f) Notwithstanding any other provision of this Agreement, Employee may disclose Confidential Information, Trade Secrets, and Work Product to the extent such disclosure is required by law, rule, regulation or legal process; provided, however, that Employee shall where practical, give prompt written notice of any such request for such information to the Company prior to disclosure, and agrees to cooperate with the Company, at the Company's expense, to the extent practicable, to challenge the request or limit the scope thereof, as the Company may reasonably deem appropriate.

Section 9. Indemnification and Insurance Obligations.

If Employee is made a party or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a ***"Proceeding"***), by reason of the fact that Employee is or was a trustee, director, manager or officer of the Company or any subsidiary or is or was serving at the request of the Company or any subsidiary as a trustee, director, manager, officer, member, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, Employee shall be indemnified and held harmless by the Company to the fullest extent authorized by the Delaware General Corporation Law, and the Company's certificate of incorporation and bylaws as the same exist or may hereafter be amended, against all expenses (including, without limitation, reasonable attorney fees) incurred or suffered by Employee in connection therewith, and such indemnification shall continue as to Employee even if Employee has ceased to be an officer, director, manager, trustee or agent, or is no longer employed by the Company and shall inure to the benefit of Employee's heirs, executors and administrators. In addition, the Company shall, if requested by Employee and to the extent permitted by and subject to any terms and conditions contained in, the Delaware General Corporate Law and the Company's certificate of incorporation and bylaws, advance to Employee all amounts necessary to pay any expenses, including reasonable fees and expenses of counsel, incurred by Employee in connection with such proceeding. In order to ensure that resources are available to the Company to satisfy its indemnification obligations hereunder, the Company shall maintain managers and officers insurance with the levels of coverage currently maintained by the Company.

Section 10. Non-Solicitation and Non-Interference.

(a) **Non-Solicitation.** During Employee's employment with the Company, and for a period of one year following the termination of employment with the Company for any reason, with the exception of Robert A. Berman and Amit Kumar, Employee shall not directly induce or encourage:

(i) any employee, contractor, director, agent or consultant of the Company to leave his position or seek employment or association with any Person (defined at Section 24(g)) that is a competitor of the Company; or

(ii) any dealer, supplier or customer of the Company to modify or terminate any relationship, whether or not evidenced by a written contract, with the Company.

Section 11. Enforcement of Covenants.

(a) Employee agrees that damages at law for violation of the covenants contained in Sections 8 and 10 would not be an adequate or proper remedy for the Company. Therefore, if Employee violates any of the provisions of such covenants, the Company shall be entitled to obtain a temporary or permanent injunction over the person and subject matter, prohibiting any further violation of any such covenants. The Company shall not be required to post bond. The injunctive relief provided herein shall be in addition to any award of damages, compensatory, exemplary or otherwise, payable by reason of such violation.

Section 12. Non-Disparagement. Employee agrees not to make negative comments or otherwise disparage the Company or its officers, directors, employees, shareholders or agents, in any manner likely to be harmful to them or their business, business reputation or personal reputation. The Company agrees that the members of the Board and officers of the Company as of the date hereof will not, while employed by the Company or serving as a director of the Company, as the case may be, make negative comments about Employee or otherwise disparage Employee in any manner that is likely to be harmful to Employee's business or personal reputation. The foregoing shall not be violated by truthful statements, whether in response to legal process, required governmental testimony or filings, or otherwise and the foregoing limitation on Employee and the Company's directors and officers will not be violated by statements that they in good faith believe are necessary or appropriate to make in connection with performing their duties for or on behalf of the Company.

Section 13. Negotiation at Arms' Length. Employee acknowledges that he has been informed of the advisability of consulting with his own counsel regarding this Agreement, and has in fact consulted counsel, who has participated in the drafting of this Agreement and that this Agreement has been negotiated at arms' length by the parties, and should not be construed against either party as drafter or otherwise. Neither party is under any compulsion to enter into this Agreement, and has entered into the Agreement voluntarily and as their own free act.

Section 14. Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail of a

PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 14):

To the Company: CopyTele, Inc.
900 Walt Whitman Road

Melville NY 11747
Facsimile: (631) 549-5974
Email: hpherms@copytele.com
Attn: Chairman of the Board

To Employee: John Roop
c/o CopyTele, Inc.
900 Walt Whitman Road
Melville NY 11747
Email: jroop@sbcglobal.net

Section 15. Entire Agreement; Modification; and Waiver. This Agreement contains the entire understanding between the parties hereto, and supersedes any prior oral or written agreement, with respect to the subject matter hereof and shall not be modified in any manner except by instrument in writing signed, by or on behalf of, the parties hereto. Any of the terms or conditions of this Agreement may be waived in writing at any time by the party which is entitled to the benefits thereof. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provisions hereof (whether similar or not).

Section 16. No Continuing Employment Obligation. Nothing herein shall be construed to place upon the Company a continuing obligation to employ Employee. Employee acknowledges and agrees that other than termination for Cause, his employment may be terminated at any time, by the Company upon 90 days prior written notice.

Section 17. Applicable Law; Jurisdiction.

(a) **Applicable Law**. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California without giving effect to the conflicts of law principles thereof.

(b) **Jurisdiction**. EACH OF THE PARTIES IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS HAVING JURISDICTION OVER LOS ANGELES, CALIFORNIA, AND THAT SUCH COURTS SHALL BE THE EXCLUSIVE JURISDICTION AND VENUE FOR THE PURPOSES OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF THIS AGREEMENT, ANY RELATED AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY OR THEREBY. EACH OF THE PARTIES HERETO FURTHER AGREES THAT SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT BY U.S. REGISTERED MAIL TO SUCH PARTY'S RESPECTIVE ADDRESS SET FORTH ABOVE SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY ACTION, SUIT OR PROCEEDING WITH RESPECT TO ANY MATTERS TO WHICH IT HAS SUBMITTED TO JURISDICTION IN THIS SECTION 17. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF SUCH COURTS' JURISDICTION AND VENUE FOR ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF THIS AGREEMENT, ANY RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY, AND HEREBY AND THEREBY FURTHER IRREVOCABLY AND UNCONDITIONALLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION, SUIT OR

PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

Section 18. Assignment. Employee acknowledges that his services are unique and personal. Accordingly, Employee may not assign his rights or delegate his duties or obligations under this Agreement, except with respect to certain rights to receive payments as described in Section 7(a).

Section 19. Successors; Binding Agreement. The Company's rights and obligations under this Agreement shall inure to the benefit and shall be binding upon the Company's successors and assigns.

Section 20. Attorneys' Fees and Costs. If an action at law or equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief which it or he may be entitled.

Section 21. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties hereto reflected hereon as the signatories. Facsimile or PDF copies of such signed counterparts may be used in lieu of the originals for any purposes.

Section 22. Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability or any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

Section 23. Headings. Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

Section 24. Definitions. For purposes of this Agreement, the following terms shall have the following definitions:

(a) ***"Affiliate"*** means, with respect to any Person, (i) any Person directly or indirectly Controlling, Controlled by or under common Control with such Person, (ii) any Person directly or indirectly owning or Controlling 50% or more of any class of outstanding voting securities of such Person or (iii) any officer, director, general partner or trustee of any such Person described in clause (i) or (ii).

(b) ***"Average Market Price"*** means arithmetic average of the VWAP of the Common Stock for a period of 15 Trading Days.

(c) ***"Business Day"*** means a day other than a Saturday, Sunday or other day on which commercial banks in the City of New York are authorized or required to close.

(d) ***"Cause"*** means, without affecting or modifying the at-will nature of Employee's employment, (i) Employee's commission of or entrance of a plea of guilty or nolo contendere to a felony; (ii) Employee's conviction for engaging or having engaged in fraud, breach of fiduciary duty, a crime of moral turpitude, dishonesty, or other acts of willful misconduct or gross negligence in connection with the business affairs of the Company or its Affiliates; (iii) a conviction for theft, embezzlement, or other intentional misappropriation of funds by Employee from the Company or its Affiliates; or (iv) a conviction in connection with the willful engaging by Employee in conduct which is demonstrably and materially injurious to the Company or its Affiliates, monetarily or otherwise.

(e) ***"Company Confidential Information"*** means any private, non-public or competitively sensitive information or data of or about the Company, its business or the Company's clients that is not generally or readily known by the public or not generally or readily accessible or available to the public. The Company Confidential Information shall be deemed to include, among other things, business plans and financial information relating to the Company, the names, addresses, telephone numbers, contact persons and other identifying information relating to the Company clients, Company business records and personal information relating to the Company's employees, contractors, consultants, directors and agents, including compensation arrangements of such employees and agents. For purposes of this definition, Company Confidential Information shall not include information in the knowledge or possession of Employee prior to the Effective Date. The Company acknowledges that prior to the Effective Date, Employee has substantial knowledge and experience in business and legal matters similar to those matters that may be engaged in by the Company and that nothing herein shall prohibit Employee from using or disclosing any such information.

(f) ***"Independent Third Party"*** means, any Person who is not an Affiliate of the Company.

(g) ***"Person"*** means any individual, corporation, limited liability company, limited or general partnership, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivisions thereof.

(h) ***"Trade Secret"*** means all information or data of or about a party (including but not limited to, confidential business information, technical and non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, lists of actual or potential customers or suppliers) that: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means, by other Persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. The Company acknowledges that prior to the Effective Date, Employee has substantial knowledge and experience in business and legal

matters similar to those matters that may be engaged in by the Company and that nothing herein shall prohibit Employee from using or disclosing any such information.

(i) ***"Trading Day"*** means any day on which the Common Stock is listed or quoted and traded on its primary trading market.

(j) ***"VWAP"*** means on any particular Trading Day or for any particular period the volume weighted average trading price per share of the Common Stock on such date or for such period on an primary market as reported by Bloomberg L.P., or any organization performing similar functions.

Section 25. Section 409A. To the extent required to comply with Section 409A of the Code, any payment or benefit required to be paid under this Agreement on account of termination of Employee's employment (or any other similar terms) shall be made only in connection with a "separation from service" with respect to Employee within the meaning of Section 409A of the Code.

In the event that Employee is a "specified employee" (as described in Section 409A of the Code), and any payment or benefit payable pursuant to this Agreement constitutes deferred compensation under Section 409A of the Code, then the Company and Employee shall cooperate in good faith to undertake any actions that would cause such payment or benefit not to constitute deferred compensation under Section 409A of the Code. In the event that, following such efforts, the Company determines (after consultation with its counsel) that such payment or benefit is still subject to the six-month delay requirement described in Section 409A(2)(b) of the Code in order for such payment or benefit to comply with the requirements of Section 409A of the Code, then no such payment or benefit shall be made before the date that is six months after Employee's "separation from service" (as described in Section 409A of the Code) (or, if earlier, the date of Employee's death). Any payment or benefit delayed by reason of the prior sentence (the "Delayed Payment") shall be paid out or provided in a single lump sum at the end of such required delay period in order to catch up to the original payment schedule.

For purposes of applying the provisions of Section 409A of the Code to this Agreement, each separately identified amount to which Employee is entitled under this Agreement shall be treated as a separate payment. In addition, to the extent permissible under Section 409A of the Code, any series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

Section 26. Exhibits. Any Exhibits attached hereto are incorporated herein by reference and are an integral part of this Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Company and Employee have duly executed and delivered this Agreement as of the day and year first shown above written.

EMPLOYEE:

_____
John Roop

COPYTELE, INC.

By:_____
Name:
Title:

EXHIBIT a

TIME VESTED STOCK OPTION

EXHIBIT b

PERFORMANCE BASED STOCK OPTION

EXHIBIT C

The following is a complete list of all inventions or improvements relevant to the subject matter of my employment by the Company that have been made or conceived of or first reduced to practice by me, alone or jointly with others, before my employment with the Company:

_____

_____

_____

_____

_____

_____

_____

_____

Exhibit 10.37

CopyTele, Inc. has redacted certain confidential information in this agreement in reliance upon its confidential treatment request that it filed with the Securities and Exchange Commission pursuant to Rule 406 under the Securities Act of 1933, as amended. In this agreement, we indicate each redaction by use of the following symbol [***]. Such Confidential portions have been omitted and filed separately with the Commission).

CONSULTING AGREEMENT

This Consulting Agreement ("***Agreement***") is hereby made and entered into as of the 19th day of September, 2012 (the "Effective Date"), by and between COPYTELE, INC., a Delaware corporation the "***Company***"), and Amit Kumar ("***Consultant***").

WITNESSETH:

WHEREAS, the Company desires to retain the services of Consultant and Consultant desires to provide services to the Company, all in accordance with and subject to the terms and conditions set forth herein; and;

NOW THEREFORE, in consideration of the promises and mutual obligations hereinafter set forth, the Company and Consultant hereby agree as follows:

Section 1. Relationship of the Parties. The Company hereby retains Consultant to provide the services set forth in Section 3 below. Both parties intend and agree that the relationship of Consultant to the Company is that of an independent contractor, and not an employment relationship. Consultant shall have no authority to create or assume obligations on behalf of the Company or otherwise bind the Company in any manner or thing whatsoever..

Section 2. Term of Agreement. The Company and Consultant may terminate the relationship and this Agreement for any reason or no reason, at any time, subject to the notice requirements set forth in Section 16 hereof. Upon termination of this Agreement, the Company shall have no further obligation or liability hereunder to pay or provide any, consulting fees to Consultant except as explicitly set forth herein.

Section 3. Services.

(a) Consultant shall use its best efforts and shall devote sufficient time as reasonably required in the performance of his Services to the Company under this Agreement. To this end, Consultant's responsibilities (the "***Services***") shall include but not be limited to serving in an advisory capacity, including without limitation providing advice with respect to advice strategic planning, operational and management issue, and business development and financing opportunities. The manner, means, details and methods by which Consultant performs the Services under this Agreement shall be solely within Consultant's discretion and in accordance with Consultant's independent judgment, provided that Consultant shall perform the Services substantially in accordance with generally accepted practices and principles of the industry.

(b) During the term of the Agreement, Consultant shall (i) report to the Chief Executive Officer of the Company, or to any other person designated by the Chief Executive Officer of the Company with respect to his Services and (ii) perform the

Services at a location of his choosing, with exception for necessary business travel, requested upon reasonable advance notice by the Company and subject to Consultant's availability.

(c) The Company understands that the nature of the Services are part time and that Consultant will be engaged in other business activities during the term of this Agreement. Consultant shall be available at reasonable times and with reasonable frequency, in person or by telephone, to consult with the Company senior management regarding the Services hereunder. The Company and Consultant shall meet periodically, at mutually agreeable times, to discuss the status of Consultant's progress in the performance of the Services hereunder.

Section 4. Compensation.

(a) ***Consulting Fee***. As compensation for the services to be performed by Consultant during his term of this Agreement, the Company shall pay or shall cause to be paid to Consultant an annual consulting fee of $120,000 (***"Consulting Fee"***), payable monthly in arrears; provided, however, that the Consulting Fee shall accrue but shall not be payable until the Cash Milestone (as hereinafter defined) is achieved.

(b) ***Bonus.***

(i) Consultant shall be eligible to receive the following bonuses and on the following terms and conditions:

(A) a one-time bonus equal to $50,000 (the ***"Cash Milestone Bonus"***), upon the generation of one or more cash payments or transfer of one or more assets to the Company which in the aggregate equal or exceed or have a fair market value equal to or in excess of $[***] million (the ***"Cash Milestone"***) within 12 months of the Effective Date. The Cash Milestone may be achieved in installments via, without limitation, the sale of the Company's common or preferred stock, the sale, licensing, exchange, or enforcement of one or more Company assets, the collection of proceeds resulting from the Company's existing or hereafter entered into license agreements, or any debt or equity financing arrangement approved by the Company's Board of Directors which results in cash proceeds being paid to the Company.

(B) a one-time bonus equal to $50,000 (the ***"First Target Price Bonus"***), if the Average Market Price of the Company's Common Stock (as hereinafter defined) exceeds $**[***]** per share (the ***"First Target Price"***) within 12 months from the Effective Date; and

(C) a one-time bonus equal to $50,000 (the ***"Second Target Price Bonus"***); if the Average Market Price of the Company's Common Stock exceeds $**[***]** per share (the ***"Second Target Price"***) within 12 months of the Effective Date.

(ii) The Company shall pay the Cash Milestone Bonus, the First Target Price Bonus and Second Target Price Bonus to Consultant within 30 days of the achievement of such bonus or bonuses, but only if Consultant was still providing the Services to the Company on the date such respective bonus or bonuses were achieved.

(c) ***Equity Rights***. On the date hereof, as additional fee for his Services to the Company under this Agreement, the Company hereby grants to Consultant the following options (the ***"Options"***) to purchase shares of the Company's common stock, par value $0.01 per share (the ***"Common Stock"***).

(i) An Option to purchase 8,000,000 shares of Common Stock. The exercise price of the Option shall

equal the average of the high and the low trading price of the Common Stock on the Trading Day immediately preceding the approval of such options by the Board of Directors (the ***"Grant Date"***), shall expire ten years after the Grant Date and shall vest in 36 equal monthly installments commencing on the Grant Date (provided, however, that in the event this Agreement is terminated or constructively terminated at any time by the Company without Cause (as hereinafter defined), an additional 12 months of vesting shall be accelerated and become exercisable (the ***"Accelerated Options"***) and otherwise pursuant to the terms and conditions of Time Vested Stock Option Agreement, a copy of which is attached hereto as Exhibit A.

(ii) An Option to purchase 8,000,000 shares of Common Stock. The exercise price of the Option shall equal the average of the high and the low trading price of the Common Stock on the Trading Day immediately preceding the Grant Date, shall expire ten years after the Grant Date and shall vest as follows: (x) as to 2,666,667 shares upon the achievement of the Cash Milestone, (y) as to 2,666,667 shares upon the occurrence of the First Target Price, and (z) as to 2,666,666 shares upon the occurrence of the Second Target Price, and otherwise pursuant to the terms and conditions of Performance Based Stock Option Agreement, a copy of which is attached hereto as Exhibit B.

All Options granted hereunder shall be subject to terms and conditions that are no less favorable than the terms set forth in the Company's 2010 Share Incentive Plan, the terms and conditions of which are incorporated herein by reference. Notwithstanding the foregoing option grants, the Options shall not be exercisable unless and until (i) an amendment to the Company's Certificate of Incorporation increasing the number of shares of Common Stock to 300 million has been approved by stockholders, (ii) the Options have been approved by stockholders in accordance with California law or exemption from registration is available under the California "blue sky" laws, and (iii) a Registration Statement on Form S-8 covering the shares of Common Stock issuable upon exercise of the Options shall have been filed with the Securities and Exchange Commission. The Company shall use its best efforts to meet the conditions set forth in (i), (ii) and (iii) above as soon as reasonably practical.

Section 5. Benefits. Both parties acknowledge and agree that, as an independent contractor, Consultant is not entitled to any employee benefits provided by the Company to its employees. Consultant shall be solely responsible for any benefit coverages for himself and his employees and agents.

Section 6. Expenses. The Company recognizes that Consultant may incur certain out-of-pocket expenses related to the Services and the Company's business. Therefore, the Company, shall upon submission and approval of an expense report which is reasonably acceptable to the Company, reimburse Consultant within 30 days for all reasonable and necessary business expenses incurred by him in connection with the performance of Consultant's obligations hereunder in accordance with Company policies existing at the time the report is submitted, as may be amended from time to time within the sole and reasonable discretion of the Company. As a condition of all reimbursements, Consultant agrees to comply with the Company's reasonable policies and procedures regarding business expenses. For purposes of satisfying Section 409A of the Internal Revenue Code of 1986, as amended (the ***"Code"***), the parties agree that the amounts reimbursed hereunder for one calendar year shall not affect the amounts reimbursed for other calendar years, and reimbursement payments, if any, shall in all events be made no later than the end of the calendar year following the calendar year in which the applicable business expense is incurred.[1]

Section 7. Rights and Benefits Upon Termination

(a) In the event Consultant's Services are terminated by the Company or by Consultant for any reason or no reason, the

Company shall be obligated to pay to Consultant only any Consulting Fees and/or bonus due pursuant to Section 4 and any unpaid reasonable and necessary expenses under Section 6 and Section 16, through the date of termination. All such payments shall be made in a lump sum to Consultant immediately following termination.

(b) In the event of the termination of Consultant's Services to the Company, all provisions of this Agreement shall be terminated on the date that Consultant's Services to the Company and shall have no further force and effect except that the provisions of Sections 8 through 11, 14, 17, 20, 22, 24, and 26 shall survive termination of this Agreement and continue in full force and effect for the period provided therein.

Section 8. Confidentiality and Non-Disclosure.

(a) **Protection of Company Confidential Information**. Consultant agrees to use his reasonable efforts to protect and hold in confidence all Company Confidential Information, as defined in Section 24(e) below. Consultant acknowledges and agrees that his relationship with the Company with respect to Confidential Information is fiduciary in nature. Consultant agrees that he will not, either during or after the termination of Consultant's affiliation with the Company, directly or indirectly use any of the Company Confidential Information, and will not directly or indirectly knowingly disclose, communicate or disseminate (orally or in writing, digitally or electronically) any of the Company Confidential Information to any party for any purpose other than to fulfill Consultant's authorized obligations to the Company in connection with his affiliation with the Company or as otherwise required by subpoena, court order or operation of law under Section 8(f). Consultant agrees to comply with these non-disclosure and non-use obligations for the duration of Consultant's affiliation with the Company and at all times thereafter.

(b) **Protection of Company Trade Secrets**. Consultant agrees to use his reasonable efforts to protect and hold in confidence all of the Company's Trade Secrets, as defined in Section 24(h) below. Consultant agrees that he will not directly or indirectly use any of the Company's Trade Secrets, and will not directly or indirectly knowingly disclose, communicate or disseminate (orally or in writing, digitally or electronically) any of the Company's Trade Secrets to any party for any purpose other than to fulfill Consultant's authorized obligations to the Company in connection with his affiliation with the Company or as otherwise required by subpoena, court order or operation of law under Section 8(f). Consultant agrees to comply with these non-disclosure and non-use obligations for the duration of Consultant's affiliation with the Company and at all times thereafter.

(c) **Inventions, Ideas and Patents**. Consultant agrees to disclose promptly to the Company (which shall receive it in confidence), and only to the Company, any invention or idea conceived, developed by Consultant alone or with others (whether or not patentable or registrable under patent, copyright or similar statutes and including all rights to obtain, register, perfect, and enforce those property interests), at any time during Consultant's affiliation with the Company or after his termination of affiliation with the Company where such invention or idea relates directly to the then current business of the Company (an "***Invention***"). Consultant agrees that any Invention shall belong to the Company without further compensation to Consultant, and Consultant hereby assigns to the Company any and all intellectual property and other legal rights to any such Invention. Consultant will cooperate with the Company and sign all papers deemed necessary by the Company to enable it to obtain, maintain, protect and defend exclusive ownership of all rights in such Inventions. Consultant's obligation to assist the Company or any person designated by it in obtaining and enforcing its rights shall continue beyond the cessation of Consultant's affiliation with the Company. The Company will compensate Consultant for reasonable expenses and other costs incurred by Consultant in assisting Company to enforce said rights.

Notwithstanding the foregoing, Consultant understands that this Agreement does not apply to an Invention which qualifies fully under the provisions of California Labor Code section 2870(a). That section provides:

> Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either: (1) relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or (2) result from any work performed by the employee for the employer.

Consultant has listed in Exhibit C all Inventions or improvements relevant to the subject matter of his affiliation with the Company that have been made or conceived of or first reduced to practice by Consultant alone or jointly with others before his affiliation and that are excluded from the operation of this Agreement. This list includes all unpatented but potentially patentable ideas and inventions conceived prior to his affiliation which have not been assigned to a former employer. Consultant represents and warrants that such list is complete.

(d) **Work Product.** All writings, tapes, recordings, computer programs and other works in any tangible medium of expression, and all other work product that Consultant has prepared or that others have prepared at Consultant's direction, or to which Consultant has contributed, in connection with his affiliation with the Company (collectively ***"Work Product"***), and all copyrights and other intellectual property and other rights in and to the Work Product, belong solely, irrevocably and exclusively throughout the world to the Company, in the case of any works of authorship, as works made for hire, as defined by the U.S. copyright laws. However, to the extent any court or agency should conclude that any works of authorship within the Work Product (or any of it) does not constitute or qualify as a "work made for hire," Consultant hereby assigns, grants and delivers, solely and irrevocably, exclusively and throughout the world to the Company, all copyrights and other intellectual property rights to such Work Product. Consultant also agrees to cooperate with the Company and to execute such other further grants and assignments of all rights as the Company from time to time reasonably may request for the purpose of evidencing, enforcing, registering or defending its ownership of the Work Product and the copyrights and other intellectual property rights in them. Without limiting the preceding provisions of this Section 8(d), Consultant agrees that the Company may edit, modify, use, publish and otherwise exploit Work Product in all media and in such manner as the Company, in its sole discretion, may determine.

(e) **Return of Property.** Upon the termination or expiration of Consultant's affiliation with the Company for any reason, or any time upon the Company's request, Consultant shall immediately deliver to the Company: (i) all of its software, computers, modems, diskettes, instruments, tools, devices, documents, plans, records, drawings, electronic or digital files or materials, passwords, papers, notes and all other materials, and any copies thereof, in Consultant's possession or control that relate in any way to the Company's business, and (ii) all other property relating to Consultant's affiliation, including, without limitation, the Company credit cards, telephone cards, office keys, desk keys and security passes.

(f) Notwithstanding any other provision of this Agreement, Consultant may disclose Confidential Information, Trade Secrets, and Work Product to the extent such disclosure is required by law, rule, regulation or legal process; provided, however, that Consultant shall where practical, give prompt written notice of any such request for such information to the Company prior to disclosure, and agrees to cooperate with the Company, at the Company's expense, to the extent practicable, to challenge the request or limit the scope thereof, as the Company may reasonably deem appropriate.

Section 9. Indemnification and Insurance Obligations.

If Consultant is made a party or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a ***"Proceeding"***), by reason of the fact that Consultant is or was a trustee, director, manager or officer of the Company or any subsidiary or is or was serving at the request of the Company or any subsidiary as a trustee, director, manager, officer, member, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or

other enterprise, Consultant shall be indemnified and held harmless by the Company to the fullest extent authorized by the Delaware General Corporation Law, and the Company's certificate of incorporation and bylaws as the same exist or may hereafter be amended, against all expenses (including, without limitation, reasonable attorney fees) incurred or suffered by Consultant in connection therewith, and such indemnification shall continue as to Consultant even if Consultant has ceased to be an officer, director, manager, trustee or agent, or is no longer affiliated with the Company and shall inure to the benefit of Consultant's heirs, executors and administrators. In addition, the Company shall, if requested by Consultant and to the extent permitted by and subject to any terms and conditions contained in, the Delaware General Corporate Law and the Company's certificate of incorporation and bylaws, advance to Consultant all amounts necessary to pay any expenses, including reasonable fees and expenses of counsel, incurred by Consultant in connection with such proceeding. In order to ensure that resources are available to the Company to satisfy its indemnification obligations hereunder, the Company shall maintain managers and officers insurance with the levels of coverage currently maintained by the Company.

Section 10. Non-Solicitation and Non-Interference.

(a) **Non-Solicitation.** During Consultant's affiliation with the Company, and for a period of one year following the termination of his affiliation with the Company for any reason, with the exception of Robert A. Berman and John Roop, Consultant shall not directly induce or encourage:

(i) any employee, Consultant, director, agent or consultant of the Company to leave his position or seek employment or association with any Person (defined at Section 24(g)) that is a competitor of the Company; or

(ii) any dealer, supplier or customer of the Company to modify or terminate any relationship, whether or not evidenced by a written contract, with the Company.

Section 11. Enforcement of Covenants.

(a) Consultant agrees that damages at law for violation of the covenants contained in Sections 8 and 10 would not be an adequate or proper remedy for the Company. Therefore, if Consultant violates any of the provisions of such covenants, the Company shall be entitled to obtain a temporary or permanent injunction over the person and subject matter, prohibiting any further violation of any such covenants. The Company shall not be required to post bond. The injunctive relief provided herein shall be in addition to any award of damages, compensatory, exemplary or otherwise, payable by reason of such violation.

Section 12. Non-Disparagement. Consultant agrees not to make negative comments or otherwise disparage the Company or its officers, directors, employees, shareholders or agents, in any manner likely to be harmful to them or their business, business reputation or personal reputation. The Company agrees that the members of the Board and officers of the Company as of the date hereof will not, while affiliated with the Company or serving as a director of the Company, as the case may be, make negative comments about Consultant or otherwise disparage Consultant in any manner that is likely to be harmful to Consultant's business or personal reputation. The foregoing shall not be violated by truthful statements, whether in response to legal process, required governmental testimony or filings, or otherwise and the foregoing limitation on Consultant and the Company's directors and officers will not be violated by statements that they in good faith believe are necessary or appropriate to make in connection with performing their duties for or on behalf of the Company.

Section 13. Negotiation at Arms' Length. Consultant acknowledges that he has been informed of the advisability of consulting with his own counsel regarding this Agreement, and has in fact consulted counsel, who has participated in the drafting of this Agreement and that this Agreement has been negotiated at arms' length by the parties, and should not be construed against either party as drafter or otherwise. Neither party is under any compulsion to enter into this Agreement, and has entered into the Agreement voluntarily and as their own free act.

Section 14. Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 14):

To the Company: CopyTele, Inc.
900 Walt Whitman Road
Melville NY 11747
Facsimile: (631) 549-5974
Email: hpherms@copytele.com
Attn: Chairman of the Board

To Consultant: Amit Kumar
c/o CopyTele, Inc.
900 Walt Whitman Road
Melville NY 11747
Facsimile: (631) 549-5974
Email: amitoptigon@hotmail.com

Section 15. Entire Agreement; Modification; and Waiver.

This Agreement contains the entire understanding between the parties hereto, and supersedes any prior oral or written agreement, with respect to the subject matter hereof and shall not be modified in any manner except by instrument in writing signed, by or on behalf of, the parties hereto. Any of the terms or conditions of this Agreement may be waived in writing at any time by the party which is entitled to the benefits thereof. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provisions hereof (whether similar or not).

Section 16. No Continuing Obligation.

Nothing herein shall be construed to place upon the Company a continuing obligation to retain Consultant. Consultant acknowledges and agrees that other than termination for Cause, his affiliation

with the Company may be terminated at any time, by the Company upon 90 days prior written notice.

Section 17. Applicable Law; Jurisdiction.

(a) **Applicable Law**. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California without giving effect to the conflicts of law principles thereof.

(b) **Jurisdiction**. EACH OF THE PARTIES IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS HAVING JURISDICTION OVER LOS ANGELES, CALIFORNIA, AND THAT SUCH COURTS SHALL BE THE EXCLUSIVE JURISDICTION AND VENUE FOR THE PURPOSES OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF THIS AGREEMENT, ANY RELATED AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY OR THEREBY. EACH OF THE PARTIES HERETO FURTHER AGREES THAT SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT BY U.S. REGISTERED MAIL TO SUCH PARTY'S RESPECTIVE ADDRESS SET FORTH ABOVE SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY ACTION, SUIT OR PROCEEDING WITH RESPECT TO ANY MATTERS TO WHICH IT HAS SUBMITTED TO JURISDICTION IN THIS SECTION 17. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF SUCH COURTS' JURISDICTION AND VENUE FOR ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF THIS AGREEMENT, ANY RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY, AND HEREBY AND THEREBY FURTHER IRREVOCABLY AND UNCONDITIONALLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION, SUIT OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

Section 18. Assignment. Consultant acknowledges that his services are unique and personal. Accordingly, Consultant may not assign his rights or delegate his duties or obligations under this Agreement, except with respect to certain rights to receive payments as described in Section 7(a).

Section 19. Successors; Binding Agreement. The Company's rights and obligations under this Agreement shall inure to the benefit and shall be binding upon the Company's successors and assigns.

Section 20. Attorneys' Fees and Costs. If an action at law or equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief which it or he may be entitled.

Section 21. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties hereto reflected hereon as the signatories. Facsimile or PDF copies of such signed counterparts may be used in lieu of the originals for any purposes.

Section 22. Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability or any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

Section 23. Headings. Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

Section 24. Definitions. For purposes of this Agreement, the following terms shall have the following definitions:

(a) ***"Affiliate"*** means, with respect to any Person, (i) any Person directly or indirectly Controlling, Controlled by or under common Control with such Person, (ii) any Person directly or indirectly owning or Controlling 50% or more of any class of outstanding voting securities of such Person or (iii) any officer, director, general partner or trustee of any such Person described in clause (i) or (ii).

(b) ***"Average Market Price"*** means arithmetic average of the VWAP of the Common Stock for a period of 15 Trading Days.

(c) ***"Business Day"*** means a day other than a Saturday, Sunday or other day on which commercial banks in the City of New York are authorized or required to close.

(d) ***"Cause"*** means, without affecting or modifying the at-will nature of Consultant's affiliation with the Company, (i) Consultant's commission of or entrance of a plea of guilty or nolo contendere to a felony; (ii) Consultant's conviction for engaging or having engaged in fraud, breach of fiduciary duty, a crime of moral turpitude, dishonesty, or other acts of willful misconduct or gross negligence in connection with the business affairs of the Company or its Affiliates; (iii) a conviction for theft, embezzlement, or other intentional misappropriation of funds by Consultant from the Company or its Affiliates; or (iv) a conviction in connection with the willful engaging by Consultant in conduct which is demonstrably and materially injurious to the Company or its Affiliates, monetarily or otherwise.

(e) ***"Company Confidential Information"*** means any private, non-public or competitively sensitive information or data of or about the Company, its business or the Company's clients that is not generally or readily known by the public or not generally or readily accessible or available to the public. The Company Confidential Information shall be deemed to include, among other things, business plans and financial information relating to the Company, the names, addresses, telephone numbers, contact persons and other identifying information relating to the Company clients, Company business records and personal information relating to the Company's employees, Consultants, consultants, directors and agents, including compensation arrangements of such employees and agents. For purposes of this definition, Company Confidential Information shall not include information in the knowledge or possession of Consultant prior to the Effective Date. The Company acknowledges that prior to the Effective Date, Consultant has substantial knowledge and experience in business and legal matters similar to those matters that may be engaged in by the Company and that nothing herein shall prohibit Consultant from using or disclosing any such information.

(f) ***"Independent Third Party"*** means, any Person who is not an Affiliate of the Company.

(g) ***"Person"*** means any individual, corporation, limited liability company, limited or general partnership, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivisions thereof.

(h) ***"Trade Secret"*** means all information or data of or about a party (including but not limited to, confidential business information, technical and non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, lists of actual or potential customers or suppliers) that: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means, by other Persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. The Company acknowledges that prior to the Effective Date, Consultant has substantial knowledge and experience in business and legal matters similar to those matters that may be engaged in by the Company and that nothing herein shall prohibit Consultant from using or disclosing any such information.

(i) "***Trading Day***" means any day on which the Common Stock is listed or quoted and traded on its primary trading market.

(j) "***VWAP***" means on any particular Trading Day or for any particular period the volume weighted average trading price per share of the Common Stock on such date or for such period on an primary market as reported by Bloomberg L.P., or any organization performing similar functions.

Section 25. Withholdings of Taxes.

Consultant certifies that he is an independent contractor and, as such, he will be solely responsible for all of its own federal, state and local taxes and all taxes for himself and any of his employees, including, but not limited to, social security and Medicare taxes. Consultant further acknowledges and agrees that he will be responsible for the remittance of all of the afore-enumerated tax payments on behalf of Consultant and his own employees and agents, if any, none of whom shall be considered or deemed employees of the Company for any purpose.

Section 26. Section 409A. To the extent required to comply with Section 409A of the Code, any payment or benefit required to be paid under this Agreement on account of termination of Consultant's affiliation with the Company (or any other similar terms) shall be made only in connection with a "separation from service" with respect to Consultant within the meaning of Section 409A of the Code.

In the event that Consultant is a "specified employee" (as described in Section 409A of the Code), and any payment or benefit payable pursuant to this Agreement constitutes deferred compensation under Section 409A of the Code, then the Company and Consultant shall cooperate in good faith to undertake any actions that would cause such payment or benefit not to constitute deferred compensation under Section 409A of the Code. In the event that, following such efforts, the Company determines (after consultation with its counsel) that such payment or benefit is still subject to the six-month delay requirement described in Section 409A(2)(b) of the Code in order for such payment or benefit to comply with the requirements of Section 409A of the Code, then no such payment or benefit shall be made before the date that is six months after Consultant's "separation from service" (as described in Section 409A of the Code) (or, if earlier, the date of Consultant's death). Any payment or benefit delayed by reason of the prior sentence (the "Delayed Payment") shall be paid out or provided in a single lump sum at the end of such required delay period in order to catch up to the original payment schedule.

For purposes of applying the provisions of Section 409A of the Code to this Agreement, each separately identified amount to which Consultant is entitled under this Agreement shall be treated as a separate payment. In addition, to the extent permissible under Section 409A of the Code, any series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

Section 27. Exhibits. Any Exhibits attached hereto are incorporated herein by reference and are an integral part of this Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Company and Consultant have duly executed and delivered this Agreement as of the day and year first shown above written.

CONSULTANT:

_____

Amit Kumar

COPYTELE, INC.

By:_____

Name:

Title:

EXHIBIT a

TIME VESTED STOCK OPTION

EXHIBIT b

PERFORMANCE BASED STOCK OPTION

EXHIBIT C

The following is a complete list of all inventions or improvements relevant to the subject matter of my affiliation with the Company that have been made or conceived of or first reduced to practice by me, alone or jointly with others, before my affiliation with the Company:

_____

_____

_____

_____

_____

_____

_____

_____

THE SECURITIES REFERRED TO HEREIN HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OR (B) AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS OR BLUE SKY LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY OR (II) UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT.

COPYTELE, INC.
SUBSCRIPTION AGREEMENT

This Subscription Agreement (this "**Agreement**") is entered into by and between CopyTele, Inc., a Delaware corporation (the "**Company**"), and the subscriber listed on the signature page hereto (the "**Subscriber**").

The Company is offering (the "**Offering**") for sale of up to $5,000,000 principal amount of 8% Convertible Debenture due 2015 in the form attached hereto as Exhibit A (the "**Debentures**"), which are convertible into 6,667 shares of common stock, par value $.01 per share (the "**Common Stock**"), of the Company for each $1,000 principal amount of Debentures or up to 33,333,333 shares of Common Stock in the aggregate (the "**Conversion Shares**") for a purchase price equal to the principal amount of the Debenture. In addition, for each $1,000 principal amount of Debentures, the Company will issue to the Subscriber, a Warrant in the form attached hereto as Exhibit B (the "**Warrant**") to purchase 3,333 shares of Common Stock (the "**Warrant Shares**" and together with the Debentures, the Warrants and the Conversion Shares, collectively, the "**Securities**").

The Subscriber understands that the Company has the right to reject any subscriptions tendered and to allocate the Debentures and Warrants to be issued among the various subscribers. Any subscription amount that is not accepted by the Company as of the end of the Offering period will be returned promptly to the Subscriber without interest. This Subscription Agreement is one of a series of subscription agreements and the sale of any Debentures and Warrants is not conditioned on the sale of any minimum amount of Debentures and Warrants.

In connection therewith, the Company and the Subscriber hereby agree as follows:

1. *Purchase and Sale of the Debentures and Warrants*. Upon the basis of the representations and warranties, and subject to the terms and conditions, set forth herein, the Company agrees to issue and sell the Debentures and the Warrants to the Subscriber on the Closing Date for the aggregate purchase price set forth on the signature page hereto (the "**Subscription Price**"), and the Subscriber irrevocably agrees to purchase the Debentures and the Warrants from the Company on the Closing Date at the Subscription Price.

2. *Closing*. The closing of the purchase and sale of the Debentures and Warrants shall take place at 10:00 a.m., New York City time, on January 9, 2013, at the offices of the Company at 900 Walt Whitman Road, Melville, New York 11747, or on such other date or at such other time or place as the Company and the Subscriber may agree upon in writing (such time and date of the closing being referred to herein as the "**Closing Date**"). Upon payment of the Subscription Price in full in the form of cash or certified or bank check payable to the order of the Company, the Company will deliver to the Subscriber as promptly as practicable (but in no event later than fifteen (15) days following the date of payment in full of the Subscription Price) certificates representing the Debentures and Warrants, registered in the name of the Subscriber.

3. *Acceptance of Subscription*. The Subscriber understands and agrees that this subscription is made subject to the condition that the Debentures and Warrants to be issued and delivered on account of this subscription will be issued only in the name of and delivered only to the Subscriber.

4. *Agreements of the Company.*

   (a) *Use of Proceeds*. The Company agrees to use the net proceeds for working capital purposes.

   (b) *Registration Rights*. The Subscriber shall be entitled to the registration rights with respect to the Conversion Shares and Warrant Shares as is set forth in Article IV of the Debentures.

5. *Representations and Warranties of the Company*. The Company represents and warrants that:

   (a) no consent, approval, authorization or order of any court, governmental agency or body or arbitrator having jurisdiction over the Company or any of the Company's affiliates is required for the execution of this Agreement or the performance of the Company's obligations hereunder, including, without limitation, the sale of the Debentures and Warrants to the Subscriber;

   (b) neither the sale of the Debentures or Warrants nor the performance of the Company's other obligations pursuant to this Agreement will violate, conflict with, result in a breach of, or constitute a default (or an event that, with the giving of notice or the lapse of time or both, would constitute a default) under (i) the certificate of incorporation or bylaws of the Company, (ii) any decree, judgment, order or determination of any court, governmental agency or body, or arbitrator having jurisdiction over the Company or any of the Company's properties or assets, (iii) any law, treaty, rule or regulation applicable to the Company or (iv) the terms of any bond, debenture, note or other evidence of indebtedness,

or any agreement, stock option or other similar plan, indenture, lease, mortgage, deed or trust or other instrument to which the Company is a party or otherwise bound or to which any property of the Company is subject;

(c) the Company has or, prior to the Closing, will have taken all corporate action required to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder;

(d) the Company has duly authorized the issuance of the Securities;

(e) the Conversion Shares and the Warrant Shares, when issued and delivered in accordance with the terms of the Company's certificate of incorporation and the Debentures and the Warrants, as the case may be, will be duly and validly issued, fully paid and non-assessable, will not be subject to any preemptive or similar rights, and will be free and clear of any security interest, lien, claim or other encumbrance;

(f) the sale of the Securities by the Company is not part of a plan or scheme to evade the registration requirements of the Securities Act of 1933, as amended (the "**Securities Act**");

(g) neither the Company nor any person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising;

(h) the Company has offered the Securities for sale only to "accredited investors," as such term is defined in Rule 501(a) under the Securities Act, who by reason of their business and financial experience have such knowledge, sophistication and experience in business and financial matters as to be capable of evaluating the merits and risks of the investment in the Securities;

(i) As of their respective dates, or to the extent corrected by a subsequent restatement, amendment or supplement, all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Exchange Act of 1934 (the "**Exchange Act**"), for the two years preceding the date hereof (the "**SEC Reports**") complied in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations of the Securities and Exchange Commission (the "**SEC**") promulgated thereunder, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

(j) the financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the SEC with respect thereto as in effect at the time of filing (or to the extent corrected by a subsequent restatement). Such financial statements have been prepared in accordance with United States generally accepted accounting principles ("**GAAP**") applied on a consistent basis during the periods involved, except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated subsidiaries taken as a whole as of and for the dates thereof and the results of operations and cash flows for the periods then

ended, subject, in the case of unaudited statements, to normal, year-end audit adjustments; and

(k) since the date of the latest audited financial statements included within the SEC Reports, and except as otherwise set forth in the SEC Reports, (i) the Company has not incurred any material liabilities, direct or contingent, and (ii) there has been no material adverse change in the properties, business, results of operations, condition (financial or other), affairs or prospects of the Company and its subsidiaries, taken as a whole.

The Company has not made any representations or warranties to the Subscriber, and the Subscriber has not relied upon any representations or warranties of the Company, except as expressly set forth in this Section 4.

6. Representations and Warranties of the Subscriber. The Subscriber represents, warrants and agrees that:

(a) the purchase of the Securities by the Subscriber is not part of a plan or scheme to evade the registration requirements of the Securities Act;

(b) the Subscriber understands that the offering and sale of the Securities is intended to be exempt from registration under the Securities Act, by virtue of Section 4(2) thereof and the provisions of Regulation D ("**Regulation D**") as promulgated by the SEC, based, in part, upon the representations, warranties and agreements of the Subscriber contained in this Subscription Agreement;

(c) the Subscriber is, and on each date on which it converts the Debenture or exercises the Warrants will be, an "accredited investor," as such term is defined in Rule 501(a) under the Securities Act, and that the Subscriber satisfies at least one of the categories of accredited investors as set forth on the Accredited Investor Questionnaire attached hereto as **Schedule 1**;

(d) the Subscriber, by reason of its business and financial experience, has such knowledge, sophistication and experience in business and financial matters as to be capable of evaluating the merits and risks of the investment in the Securities and, having had access to or having been furnished with all such information or documents as it has considered necessary (including, without limitation, the SEC Reports), has concluded that it is able to bear those risks;

(e) The Subscriber has adequate means of providing for such Subscriber's current financial needs and foreseeable contingencies and has no need for liquidity of its investment for an indefinite period of time;

(f) the Subscriber confirms that, in making the Subscriber's decision to purchase the Securities, the Subscriber and the Subscriber's representatives have been given the opportunity to ask questions of and to receive answers from the Company concerning the Securities and the Company and all such questions have been answered to the full satisfaction of the Subscriber;

(g) the Subscriber has independently evaluated the merits of its decision to purchase the Securities, and the Subscriber confirms and understands that nothing in this Agreement or any other materials presented by or on behalf of the Company to the Subscriber in connection with the purchase of the Securities constitutes legal, tax or investment advice. The Subscriber has consulted such legal, tax and investment advisors as it, in its sole discretion, has deemed necessary or appropriate in connection with its purchase of the Securities;

(h) the Subscriber understands that (i) the Securities are "restricted securities" and have not been registered under the Securities Act and may not be offered or sold unless registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available, (ii) if any transfer of the Securities is to be made in reliance on an exemption under the Securities Act, the Company may require an opinion of counsel satisfactory to it that such transfer may be made pursuant to such exemption and (iii) so long as deemed appropriate by the Company, the Securities may bear any legend as required by the "blue sky" laws of any state and a restrictive legend in substantially the following form to the following effect:

"[NEITHER THIS WARRANT NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE BEEN REGISTERED] [THESE SECURITIES HAVE NOT BEEN REGISTERED] UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES [ISSUABLE UPON EXERCISE OF THIS WARRANT] MAY NOT BE OFFERED FOR SALE, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OR (B) AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS OR BLUE SKY LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY OR (II) UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT";

(i) in making any subsequent offering or sale of the Securities, the Subscriber will be acting only for itself and not as part of a sale or planned distribution in violation of the Securities Act;

(j) the Subscriber is unaware of, is in no way relying on, and did not become aware of the Offering through or as a result of, any form of general solicitation or general advertising including, without limitation, any article, notice, advertisement or other communication published in any newspaper, magazine or similar media or broadcast over television, radio or the internet, in connection with the offering and sale of the Securities and is not subscribing for the Securities and did not become aware of the Offering through or as a result of any seminar or meeting to which the Subscriber was invited by, or any solicitation of a subscription by, a person not previously known to the Subscriber in connection with investments in securities generally;

(k) the Subscriber understands that neither the SEC nor federal or state or other governmental agency has passed upon or made any recommendation or endorsement with respect to the Securities and that neither the SEC nor any state securities commission has approved the Securities, or passed upon or endorsed the merits of this offering of the Securities;

(l) the Subscriber is purchasing the Debentures and the Warrants, and will acquire the Conversion Shares and the Warrant Shares, as principal for its own account and not with a view to, or for distributing or reselling the Securities, or any part thereof, in violation of the Securities Act or any applicable state securities laws. The Subscriber acknowledges that the Securities have not been registered under the Securities Act or any applicable state securities law;

(m) the Subscriber (i) does not presently have any agreement, plan or understanding, directly or indirectly, with any person or entity to distribute or effect any distribution of any of the Securities (or any securities which are derivatives thereof) or through any person or entity (ii) is not a registered broker-dealer under Section 15 of the Exchange Act or an entity engaged in a business that would require it to be so registered as a broker-dealer; and (iii) during the period of five (5) business days immediately prior to the execution of this Agreement, the Subscriber, did not, and from such date and through the expiration of the 90th day following the date hereof will not, directly or indirectly, execute or effect or cause to be executed or effected any short sale, option, or equity swap transaction in or with respect to the Common Stock or any other derivative security transaction the purpose or effect of which is to hedge or transfer to a third party all or any part of the risk of loss associated with the ownership of the Securities by the Subscriber;

(n) no consent, approval, authorization or order of any court, governmental agency or body or arbitrator having jurisdiction over the Subscriber or any of the Subscriber's affiliates is required for the execution of this Agreement or the performance of the Subscriber's obligations hereunder, including, without limitation, the purchase of the Debentures and Warrants by the Subscriber;

(o) If an entity, the Subscriber has its principal place of business or, if an individual, the Subscriber has its primary residence, in the jurisdiction set forth immediately below such Subscriber's name on the signature pages hereto;

(p) The Subscriber (i) if a natural person, represents that the Subscriber has reached the age of 21 and has full power and authority to execute and deliver this Subscription Agreement and all other related agreements or certificates and to carry out the provisions hereof and thereof; (ii) if a corporation, partnership, or limited liability company or partnership, or association, joint stock company, trust, unincorporated organization or other entity, represents that such entity was not formed for the specific purpose of acquiring the Securities, such entity is duly organized, validly existing and in good standing under the laws of the state of its organization, the consummation of the transactions contemplated hereby is authorized by, and will not result in a violation of state law or its charter or other organizational documents, such entity has full power and authority to execute and deliver this Subscription Agreement and all other related agreements or certificates and to carry out the provisions hereof and thereof and to purchase and hold the Securities, the execution and delivery of this Subscription Agreement has been duly authorized by all necessary action, this Subscription Agreement has been duly executed and delivered on behalf of such entity and is a legal, valid and binding obligation of such entity; or (iii) if executing this

Subscription Agreement in a representative or fiduciary capacity, represents that it has full power and authority to execute and deliver this Subscription Agreement in such capacity and on behalf of the subscribing individual, ward, partnership, trust, estate, corporation, or limited liability company or partnership, or other entity for whom the Subscriber is executing this Subscription Agreement, and such individual, partnership, ward, trust, estate, corporation, or limited liability company or partnership, or other entity has full right and power to perform pursuant to this Subscription Agreement and make an investment in the Company, and represents that this Subscription Agreement constitutes a legal, valid and binding obligation of such entity. The execution and delivery of this Subscription Agreement will not violate or be in conflict with any order, judgment, injunction, agreement or controlling document to which the Subscriber is a party or by which it is bound;

(q) **(For Employee Retirement Income Security Act ("ERISA") plans only)** The fiduciary of the ERISA plan (the "**Plan**") represents that such fiduciary has been informed of and understands the Company's investment objectives, policies and strategies, and that the decision to invest "plan assets" (as such term is defined in ERISA) in the Company is consistent with the provisions of ERISA that require diversification of plan assets and impose other fiduciary responsibilities. The Subscriber fiduciary or Plan (a) is responsible for the decision to invest in the Company; (b) is independent of the Company or any of its affiliates; (c) is qualified to make such investment decision; and (d) in making such decision, the Subscriber fiduciary or Plan has not relied primarily on any advice or recommendation of the Company or any of its affiliates; and

(r) The information set forth in this Agreement regarding the Subscriber is true, correct and complete.

The foregoing representations, warranties and undertakings are made by the Subscriber with the intent that they be relied upon in determining the Subscriber's suitability as an investor in the Company, and the Subscriber hereby agrees that such representations and warranties shall survive the Subscriber's purchase of the Securities.

If more than one person is signing this Subscription Agreement, each representation, warranty and undertaking made herein shall be a joint and several representation, warranty or undertaking of each such person. If the Subscriber is a partnership, corporation, trust or other entity, the Subscriber has enclosed with this Agreement appropriate evidence of the authority of the individual executing this Agreement to act on behalf of the Subscriber.

7. Conditions to Closing. The obligations of each party hereunder shall be subject to:

(a) the accuracy of the representations and warranties of the other party hereto as of the date hereof and as of the Closing Date, as if such representations and warranties had been made on and as of such date; and

(b) the performance by the other party of its obligations hereunder.

8. *Indemnification*.

(a) The Company agrees to indemnify and hold harmless the Subscriber, each person, if any, who controls the Subscriber within the meaning of Section 15 of the Securities Act and each officer, director, employee and agent of the Subscriber and of any such controlling person against any and all losses, liabilities, claims, damages or expenses whatsoever, as incurred, arising out of or resulting from any breach or alleged breach or other violation or alleged violation of any representation, warranty, covenant or undertaking by the Company contained in this Agreement, and the Company will reimburse the Subscriber for its reasonable legal and other expenses (including the cost of any investigation and preparation, and including the reasonable fees and expenses of counsel) incurred in connection therewith.

(b) The Subscriber agrees to indemnify and hold harmless the Company, each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act and each officer, director, employee and agent of the Company and of any such controlling person against any and all losses, liabilities, claims, damages or expenses whatsoever, as incurred, arising out of or resulting from any breach or alleged breach or other violation or alleged violation of any representation, warranty, covenant or undertaking by the Subscriber contained in this Agreement, and the Subscriber will reimburse the Company for its reasonable legal and other expenses (including the cost of any investigation and preparation, and including the reasonable fees and expenses of counsel) incurred in connection therewith.

9. *Survival of Representations and Warranties.* The respective agreements, representations, warranties, indemnities and other statements made by or on behalf of each party hereto pursuant to this Agreement shall remain in full force and effect, regardless of any investigation made by or on behalf of any party, and shall survive delivery of any payment for the Subscription Price.

10. *Notices*. Any notice, demand or request required or permitted to be given by the Company or the Subscriber pursuant to the terms of this Agreement shall be in writing and shall be deemed given when delivered personally, one day after being delivered to an overnight courier of national reputation for next day priority delivery, or by facsimile or electronic mail (with a hard copy to follow by delivery to a national reputation carrier for non-priority delivery), addressed to the parties at the addresses and/or facsimile telephone number/electronic mail address of the parties set forth at the end of this Agreement, or such other address as a party may request by notifying the other in writing.

11. *Miscellaneous*.

(a) This Agreement may be executed in one or more counterparts, and such counterparts shall constitute but one and the same agreement.

(b) This Agreement shall inure to the benefit of and be binding upon the parties hereto, their respective successors and, with respect to the indemnification provisions hereof, each person entitled to indemnification hereunder, and no other person shall have any right or

obligation hereunder. This Agreement shall not be assignable by any party hereto without the prior written consent of the other party hereto. Any assignment contrary to the terms hereof shall be null and void and of no force or effect.

(c) This Agreement represents the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and can be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument making specific reference to this Agreement signed by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought.

(d) Each provision of this Subscription Agreement shall be considered separable and, if for any reason any provision or provisions hereof are determined to be invalid or contrary to applicable law, such invalidity or illegality shall not impair the operation of or affect the remaining portions of this Subscription Agreement.

(e) Each of the parties hereto shall pay its own fees and expenses (including the fees of any attorneys, accountants, appraisers or others engaged by such party) in connection with this Subscription Agreement and the transactions contemplated hereby whether or not the transactions contemplated hereby are consummated.

(f) Paragraph titles are for descriptive purposes only and shall not control or alter the meaning of this Subscription Agreement as set forth in the text.

(g) This Agreement shall be governed by the internal laws of the State of New York, without regard to conflicts of law.

* * * * *

IN WITNESS WHEREOF, the parties hereto have caused this Subscription Agreement to be executed and delivered as of the date first written above.

Date: January __, 2013
(**Minimum of $50,000**)

Amount of Subscription:

Subscriber's Name (please print)

Joint Subscriber's Name (if applicable)

Social Security or Taxpayer Identification Number

Subscriber's Signature

Social Security or Taxpayer Identification Number

Joint Subscriber's Signature (if applicable)

Residence Address (for Individuals)/:
Business Address (for Entities)

Mailing Address, if different from Residence/Busienss Address:

Telephone:

Facsimile:

Email:

NOTE TO SUBSCRIBER: PLEASE COMPLETE THE ACCREDITED INVESTOR QUESTIONNAIRE ATTACHED AS *SCHEDULE 1*.

Accepted:

COPYTELE, INC.

Date: January __, 2013

By:_____

Robert A. Berman
President and Chief Executive Officer

Address**:** 900 Walt Whitman Road
Melville, New York 11747

SCHEDULE 1

COPYTELE, INC.
ACCREDITED INVESTOR QUESTIONNAIRE

PART I – FOR NATURAL PERSONS

1. **Accredited Investors Status**: I am an Accredited Investor (as defined in Rule 501 of Regulation D promulgated under the Securities Act) because I certify that (check all appropriate descriptions that apply):

Initial _____ I am a natural person whose individual net worth, or joint net worth with my spouse, exceeds $1,000,000. For purposes of this item , "net worth" means the excess of total assets at fair market value (including personal and real property, but excluding the estimated fair market value of a person's primary home) over total liabilities. Total liabilities excludes any mortgage on the primary home in an amount of up to the home's estimated fair market value as long as the mortgage was incurred more than 60 days before the Securities are purchased, but includes (i) any mortgage amount in excess of the home's fair market value and (ii) any mortgage amount that was borrowed during the 60-day period before the closing date for the sale of Securities for the purpose of investing in the Securities.

Initial _____ I am a natural person who had individual income exceeding $200,000 (or joint income with my spouse exceeding $300,000) in each of the last two calendar years and I have a reasonable expectation of reaching the same income level in the current calendar year.

Initial _____ I am a director or executive officer of CopyTele, Inc.

2. Employment and Business Experience

Present occupation:

Salary:

Do you own your own business or are you otherwise employed?

Name and type of business employed by or owned:

Description of responsibilities:

Length of service with present employer or length of ownership of present business:

Present title or position:

Length of service in present title or position:

Prior occupations, employment, and length of service during the past five (5) years:

Occupation	Name of Employer or Owned Business (and identify which)	Years of Service

Do you have any professional licenses or registrations, including bar admissions, accounting certificates, real estate brokerage licenses, investment adviser registrations and SEC or state broker-dealer registrations? Yes: _____ No: _____

If yes, please list such licenses or registrations, the date(s) you received the same, and whether they are in good standing:_____

3. Education (college and postgraduate)

Institution Attended	Degree	Dates of Attendance

4. Current Investment Objectives

My current investment objectives (indicate applicability and priority) are:

Current income: Appreciation:

Tax Shelter: Other:

5. Other Relevant Information

Please describe any additional information that reflects your knowledge and experience in business, financial, or investment matters and your ability to evaluate the merits and risks of this investment.

PART II – <u>FOR ENTITIES</u>

1. **Accredited Investors Status**: The Subscriber is an Accredited Investor (as defined in Rule 501 of Regulation D promulgated under the Securities Act) because it certifies that (check all appropriate descriptions that apply):

Initial _____ A bank, as defined in Section 3(a)(2) of the Securities Act or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in an individual or a fiduciary capacity.

Initial _____ A broker or dealer registered under Section 15 of the Securities Exchange Act of 1934, as amended.

Initial _____ An insurance company, as defined in Section 2(13) of the Securities Act.

Initial _____ An investment company registered under the Investment Company Act of 1940 or a business development company, as defined in Section 2(a)(48) of that act.

Initial _____ A Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958.

Initial _____ A plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions for the benefit of its employees, if the plan has total assets in excess of $5 million.

Initial _____ An employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, if the investment decision is being made by a plan fiduciary, as defined in Section 3(21) of such act, and the plan fiduciary is either a bank, an insurance company, or a registered investment adviser, or if the employee benefit plan has total assets in excess of $5 million.

Initial _____ A private business development company, as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.

Initial _____ A corporation, Massachusetts or similar business trust, or partnership, or an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, that was not formed for the specific purpose of acquiring the Securities, and that has total assets in excess of $5 million.

Initial _____ A trust with total assets in excess of $5 million not formed for the specific purpose of acquiring the Securities, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under the Securities Act.

Initial _____ An entity in which all of the equity owners are accredited investors and meet the criteria listed in Part I, Section 1 of this Questionnaire (and please list all equity owners and provide a Questionnaire for each such person).

2. General Information

Name of Entity:

Address of Principal Office:

Type of Organization:

Date and State of Organization:

3. Business

Major Segments of Operation:

Length of operation in each such segment:

Are you a reporting entity under the Securities Exchange Act of 1934, as amended?

_____ Yes _____ No

If you are not a reporting entity, please provide the following:

(a) The names and business experience of each of your officers and directors, partners, or other control persons for the past five years. If additional space is required to answer any question, please attach separate pages to the back of this Questionnaire and identify all questions answered in this fashion by their respective question numbers.

(b) The educational background of each of your officers and directors, partners, or other control persons, including the institutions attended, the dates of attendance, and the degrees obtained by each. If additional space is required to answer any question, please attach separate pages to the back of this Questionnaire and identify all questions answered in this fashion by their respective question numbers.

(c) Have each of your controlling persons complete Part I of this Questionnaire.

4. Current Investment Objectives

The current investment objectives of the entity (indicate applicability and priority) are:

Current income:	Appreciation:
Tax Shelter:	Other:

5. Other Relevant Information

Please describe any additional information that reflects your knowledge and experience in business, financial, or investment matters and your ability to evaluate the merits and risks of this investment. If additional space is required to answer any question, please attach separate pages to the back of this Questionnaire and identify all questions answered in this fashion by their respective question numbers.

EXHIBIT A

FORM OF DEBENTURE

EXHIBIT B

FORM OF WARRANT

NEITHER THIS DEBENTURE NOR THE SECURITIES ISSUABLE UPON CONVERSION HEREOF HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES ISSUABLE UPON CONVERSION HEREOF MAY NOT BE OFFERED FOR SALE, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OR (B) AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS OR BLUE SKY LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY OR (II) UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT.

COPYTELE, INC.
8% Convertible Debenture
Due January __, 2015

$_____ **January 25, 2013**

COPYTELE, INC., a Delaware corporation (the "**Company**" or "**Maker**"), for value received, hereby promises to pay to [NAME OF PURCHASER] or its registered assigns (the "**Payee**" or "**Holder**"), at [PURCHASER ADDRESS], upon due presentation and surrender of this 8% Convertible Debenture (this "Debenture"), on or after January 25, 2015 (the "**Maturity Date**"), the principal amount of _____ Dollars ($_____) and accrued interest thereon as hereinafter provided.

This Debenture is one of a series of debentures issued by the Company as of January __, 2013 (the "**Issuance Date**") in the aggregate principal amount of up to $5,000,000 (collectively, the "**Debentures**").

ARTICLE I
PAYMENT OF PRINCIPAL AND INTEREST; METHOD OF PAYMENT

Section I.1 Payment of Principal and Interest. Payment of the principal and accrued interest on this Debenture shall be made in such coin or currency of the United States of America as at the time of

payment shall be legal tender for the payment of public and private debts. Interest (computed on the basis of a 360-day year for the number of days elapsed) on the unpaid portion of said principal amount from time to time outstanding shall be paid by the Company at the rate of eight percent (8%) per annum, in like coin and currency, or at the option of the Company, in shares of the Company's Common Stock (as hereinafter defined) or additional Debentures, upon the same terms and conditions of this Debenture payable to the Payee in quarterly installments on each January 1, April 1, July 1 and October 1 during the term of this Debenture (each, an "**Interest Payment Date**"), with the first Interest Payment Date hereunder scheduled to be April 1, 2013 and the last Interest Payment Date to be on the Maturity Date. Interest shall accrue from the Issuance Date. Both principal hereof and interest thereon are payable at the Holder's address above or such other address as the Holder shall designate from time to time by written notice to the Company. The Company will pay or cause to be paid all sums becoming due hereon for principal and interest by check, sent to the Holder's above address or to such other address as the Holder may designate for such purpose from time to time by written notice to the Company, without any requirement for the presentation of this Debenture or making any notation thereon, except that the Holder hereof agrees that payment of the final amount due shall be made only upon surrender of this Debenture to the Company for cancellation.

If the Company elects to pay the interest due on a particular Interest Payment Date in shares of Common Stock, the number of shares issued as payment of the accrued interest shall be equal to the quotient of the aggregate accrued and unpaid interest divided by the Market Price (as defined in Section 5.1 hereof) on the Interest Payment Date. No fractional shares or scrip representing fractional shares will be issued upon the payment of accrued interest, but a payment in cash will be made, in respect of any fraction of a share which would otherwise be issuable in connection with the payment of accrued interest in shares of Common Stock.

Prior to any sale or other disposition of this instrument, the Holder hereof agrees to endorse hereon the amount of principal paid hereon and the last date to which interest has been paid hereon and to notify the Company of the name and address of the transferee in accordance with the terms of Section 2.2 of this Debenture.

Section I.2 Extension of Payment Date. If this Debenture or any installment hereof becomes due and payable on a Saturday, Sunday or other day on which banks in the State of New York are authorized to remain closed, the due date hereof shall be extended to the next succeeding full Business Day (as defined in Section 5.1 hereof).

Section I.3 Prepayment. The Company may prepay the principal amount of this Debenture and any accrued and unpaid interest thereon, in whole or in part, at any time and from time to time without penalty or premium, subject to first offering the Holder the option to convert this Debenture into Common Stock in accordance with Section 2.1, but only if the sales price of the Common Stock on the Principal Market equals or exceeds $0.30 for twenty (20) Trading Days in any thirty (30) Trading Day period ending no more than fifteen (15) days before the Redemption Notice. The Company must provide written notice (the "**Redemption Notice**") to the Holder of its intention to prepay this Debenture and allow the Holder thirty (30) days after receipt of such notice to convert. All payments on this Debenture shall be applied first to accrued interest hereon, if any, and the balance to the payment of outstanding principal hereof.

ARTICLE II CONVERSION AND OTHER RIGHTS

Section II.1 Conversion into Common Stock at Option of Holder. At any time and from time to time until the Maturity Date, this Debenture is convertible in whole or in part at the Holder's option into shares of the Company's common stock, par value $0.01 per share ("**Common Stock**"), upon surrender of this Debenture, at the office of the Company, accompanied by a written notice of conversion in the form of Attachment II hereto, or otherwise in form reasonably satisfactory to the Company, duly executed by the registered Holder or his, her or its duly authorized attorney. The aggregate principal amount of this Debenture shall be convertible at any time from the Issuance Date until the Maturity Date into shares of Common Stock at a price per share equal to $0.15 ("**Conversion Price**"), subject to the adjustments as provided for in Section 2.4. Interest shall accrue to and include the day prior to the date of conversion and shall be paid by check or in shares of Common Stock, at the option of the Company, on the last day of the month in which conversion rights hereunder are exercised. In the event this Debenture is converted in part, the Company shall deliver a new Debenture of like tenor in the principal amount equal to the remaining principal balance of this Debenture after giving effect to such partial conversion.

Section II.2 Transfer of Debenture; Conversion Procedure. This Debenture and all rights hereunder may be sold, transferred or otherwise assigned to any person in accordance with and subject to the provisions of the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations promulgated thereunder. Upon the transfer of this Debenture through the use of the assignment form attached hereto as Attachment I, and in accordance with applicable law or regulation, and the payment by the Holder of funds sufficient to pay any transfer tax, the Company shall issue and register this Debenture in the name of the new Holder.

The Company shall convert this Debenture upon surrender thereof for conversion properly endorsed and accompanied by a properly completed and executed Conversion Notice attached hereto as Attachment II and any documentation deemed necessary by the Company showing the availability of an exemption under applicable state and federal securities laws. Subject to the terms of this Debenture, upon surrender of this Debenture, the Company shall promptly issue and deliver to and in the name of the Holder of this Debenture, a certificate or certificates for the number of full shares of Common Stock due to such Holder upon the conversion of this Debenture. No fractional shares or scrip representing fractional shares will be issued upon any conversion, but a payment in cash will be made, in respect of any fraction of a share which would otherwise be issuable upon the surrender of this Debenture for conversion. The person or persons to whom such certificate or certificates are issued by the Company shall be deemed to have become the holder of record of such shares of Common Stock as of the date of the surrender of this Debenture. Upon conversion, the Holder will be required to execute and deliver any documentation deemed necessary by the Company showing the availability of an exemption under applicable state and federal securities laws.

Section II.3 Covenants.

(a) Issuance and Shares of Common Stock upon Conversion. The Company covenants that it will at all times reserve and keep available, free from preemptive rights, out of its authorized Common Stock, solely for the purpose of issuance upon conversion of this Debenture, such number of shares of Common Stock as shall equal the aggregate number of shares of Common Stock that would be issued under this Debenture if fully converted. The Company also covenants that all of the shares of Common Stock that

shall be issuable upon conversion of this Debenture shall, at the time of delivery, and, subject to Section 2.4(h) hereof, be duly and validly issued, fully paid, nonassessable and free from all taxes, liens and charges with respect to the issue thereof (other than those which the Company shall promptly pay or discharge).

(b) Restrictive Legend. Each certificate evidencing shares of Common Stock issued to the Holder following the conversion of this Debenture shall bear the following restrictive legend or a similar legend until such time as the transfer of such security is not restricted under the federal securities laws:

> THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OR (B) AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS OR BLUE SKY LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY OR (II) UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT.

(c) At any time after the Issuance Date, the Company will not directly or indirectly, enter into, create, incur, assume or suffer to exist any additional indebtedness for borrowed money that by its terms is expressly senior in right of payment to the Company's obligations under the Debentures, unless the Company has obtained the written consent of the holders representing at least two-thirds of the outstanding principal amount of the Debentures.

Section II.4 Adjustment of Conversion Price and Number of Underlying Shares. The number of shares of Common Stock issuable upon the conversion of this Debenture shall be subject to adjustment from time to time as follows:

(a) Adjustment for Stock Splits and Combinations. If the Company shall at any time after the Issuance Date (i) subdivide the outstanding Common Stock, (B) combine the outstanding Common Stock into a smaller number of shares, or (C) declare a dividend or otherwise distribute to all holders of Common Stock (including any such distribution made to the stockholders of the Company in connection with a consolidation or merger in which the Company is the continuing corporation) evidences of its indebtedness, cash, or assets (including distributions and dividends payable in shares of Common Stock), or rights, options, or warrants to subscribe for or purchase Common Stock, or securities convertible into or exchangeable for shares of Common Stock, then, in each case, the number of shares of Common Stock issuable upon the conversion of this Debenture shall be proportionately adjusted so that the Holder after such time shall be entitled to receive the aggregate number and kind of shares which, if this Debenture had been converted immediately prior to such time, the Holder would have owned upon such conversion and been entitled to receive by virtue of such dividend, subdivision, combination, or distribution.

(b) Change in Conversion Shares upon Consolidations and Mergers in Which the Company Is Not the Surviving Company and upon Certain Sales, Leases, and Conveyances. In case of any consolidation with or merger of the Company with or into another corporation or other entity (other than a merger or consolidation in which the Company is the surviving or continuing corporation), or in case of any sale, lease, or conveyance to another corporation or entity of the property and assets of any nature of the Company as an entirety or substantially as an entirety (such actions being hereinafter collectively referred to as "**Reorganizations**"), there shall thereafter be deliverable upon conversion of this Debenture (in lieu of the number of shares of Common Stock theretofore deliverable) the kind and amount of shares of stock or other securities or property receivable upon such Reorganization by a holder of the number of shares of Common Stock equal to the number of shares of Common Stock issuable upon the conversion of this Debenture for which this Debenture might have been converted immediately prior to such Reorganization. The Company shall not effect any such Reorganization unless upon or prior to the consummation thereof the successor corporation, or if the Company shall be the surviving corporation in any such Reorganization and is not the issuer of the shares of stock or other securities or property to be delivered to holders of shares of the Common Stock outstanding at the effective time thereof, then such issuer, shall assume by written instrument the obligation to deliver to the Holder such shares of stock, securities, cash or other property as the Holder shall be entitled to upon a conversion of this Debenture in accordance with the foregoing provisions.

(c) Change in Shares upon Certain Reclassifications, Consolidations, and Mergers. In case of any reclassification or change of the Common Stock (other than a change in par value or from no par value to a specified par value, or as a result of a subdivision or combination of the outstanding shares of Common Stock, but including any change of the shares of Common Stock into two or more classes or series of shares), or in case of any consolidation or merger of another corporation or entity into the Company in which the Company is the continuing corporation and in which there is a reclassification or change (including a change to the right to receive cash or other property) of the shares of Common Stock (other than a change in par value, or from no par value to a specified par value, or as a result of a subdivision or combination of the outstanding shares of Common Stock, but including any change of the shares into two or more classes or series of shares), the Holder shall have the right thereafter to receive upon conversion of this Debenture solely the kind and amount of shares of stock and other securities, property, cash, or any combination thereof receivable upon such reclassification, change, consolidation, or merger by a holder of the number of shares of Common Stock equal to the number of shares of Common Stock for which this Debenture might have been converted immediately prior to such reclassification, change, consolidation, or merger.

(d) Other Events. If any event occurs of the type contemplated by the provisions of this Section 2.4 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company's Board of Directors will make an appropriate adjustment in the Conversion Price so as to protect the rights of the Holder under this Debenture; provided that no such adjustment will increase the Conversion Price as otherwise determined pursuant to this Section 2.

(e) No Impairment. The Company will not, through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or

seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company.

(f) Record Date. If the Company takes a record of the holders of Common Stock for the purpose of entitling them (i) to receive a dividend or other distribution payable in Common Stock, or in any rights, options or warrants to subscribe for or to purchase Common Stock (such rights or options or warrants being herein called "**Options**") or in any stock or other securities convertible into or exchangeable for Common Stock (such convertible or exchangeable stock or securities being herein called "**Convertible Securities**") or (ii) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(g) Subsequent Equity Sales.

(i) If, at any time while this Debenture is outstanding, the Company issues additional shares of Common Stock or rights, warrants, options or other securities or debt convertible, exercisable or exchangeable for shares of Common Stock or otherwise entitling any Person to acquire shares of Common Stock (collectively, "**Common Stock Equivalents**") at an effective net price to the Company per share of Common Stock (the "**Effective Price**") less than the Conversion Price (as adjusted hereunder to such date), then the Conversion Price shall be reduced to equal the Effective Price. For purposes of this paragraph, in connection with any issuance of any Common Stock Equivalents, (A) the maximum number of shares of Common Stock potentially issuable at any time upon conversion, exercise or exchange of such Common Stock Equivalents (the "**Deemed Number**") shall be deemed to be outstanding upon issuance of such Common Stock Equivalents, (B) the Effective Price applicable to such Common Stock shall equal the minimum dollar value of consideration payable to the Company to purchase such Common Stock Equivalents and to convert, exercise or exchange them into Common Stock (net of any discounts, fees, commissions and other expenses), divided by the Deemed Number, and (C) no further adjustment shall be made to the Conversion Price upon the actual issuance of Common Stock upon conversion, exercise or exchange of such Common Stock Equivalents.

(ii) If, at any time while this Debenture is outstanding, the Company issues Common Stock Equivalents with an Effective Price or a number of underlying shares that floats or resets or otherwise varies or is subject to adjustment based (directly or indirectly) on market prices of the Common Stock (a "**Floating Price Security**"), then for purposes of applying the preceding paragraph in connection with any subsequent conversion, the Effective Price will be determined separately on each Conversion Date and will be deemed to equal the lowest Effective Price at which any holder of such Floating Price Security is entitled to acquire Common Stock on such Conversion Date (regardless of whether any such holder actually acquires any shares on such date).

(iii) Notwithstanding the foregoing, no adjustment will be made under this Section 2.4(g) in respect of:

(A) shares of Common Stock issuable upon exercise of rights, options or warrants outstanding on the date hereof;

(B) shares of Common Stock issued (or issuable upon exercise of rights, options or warrants outstanding from time to time) granted or issued to officers, directors or employees of, or consultants to, the Company pursuant to a stock grant, stock option grant, stock option plan or other similar plan, in each case as approved by the Company's Board of Directors;

(C) shares of Common Stock issued in connection with a strategic alliance, acquisition or others transaction, where the primary purpose of such transaction is not to raise equity capital;

(D) shares of Common Stock issued (or issuable upon exercise of rights, options or warrants outstanding from time to time) for bona fide services; or

(E) shares of Common Stock issued or issuable as a result of any stock split, combination, dividend, distribution, reclassification, exchange or substitution.

(h) Actions to Maintain Conversion Price Above Par Value. Before taking any action which would cause an adjustment in the Conversion Price such that, upon conversion of this Debenture, shares of Common Stock with par value, if any, would be deemed to be issued below the then par value of the Common Stock, the Company will take any corporate action which may, in the opinion of its counsel, be reasonably necessary in order that the Company may validly and legally issue fully paid and non-assessable shares of Common Stock at the Conversion Price as so adjusted.

(i) Certificate of Adjustment. In any case of an adjustment of the number of shares of Common Stock or other securities issuable upon conversion of this Debenture, the chief financial officer or the president of the Company shall compute such adjustment in accordance with the provisions hereof and prepare and sign a certificate showing such adjustment, and shall mail such certificate, by first class mail, postage prepaid, to the Holder of this Debenture at the Holder's address as shown in the Company's books. The certificate shall set forth such adjustment, showing in detail the facts upon which such adjustment is based, including a statement of the number of shares of Common Stock and the type and amount, if any, of other property which at the time would be received upon conversion of this Debenture.

(j) Notices of Record Date. In the event of (i) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, (ii) any reclassification or recapitalization of Common Stock outstanding involving a change in Common Stock or (iii) any consolidation, merger, sale of all or substantially all of the Company's assets to another Person (as defined in Section 5.1 hereof) and any transaction which is effected in such a way that holders of more than fifty percent (50%) of the shares of Common Stock then outstanding are entitled to receive (either directly or upon subsequent liquidation) stock, securities or assets of another Person with respect to or in exchange for Common Stock (being herein called a "**Change of Control**") or voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall mail to the Holder of this Debenture, not less than ten (10) days and not more than sixty (60) days prior to the date on which the books of the Company shall close, the record date specified therein or the effective date thereof as the case may be, a notice specifying (A) the material terms and conditions of the proposed action, (B) the date on which any such record is to be taken for the purpose of such dividend or distribution and a description of such dividend or distribution, (C) the date on which any such Change of Control, dissolution, liquidation or winding up is expected to become effective, and (D) the time, if any, that is to be fixed, as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such Change of Control, dissolution, liquidation or winding up.

(k) Notices. Any notice required by the provisions of this Section 2.4 shall be in writing and shall be deemed given upon delivery if delivered personally or by a recognized commercial courier with receipt acknowledged, or upon the expiration of seventy-two (72) hours after the same has been deposited in the United States mail, by certified or registered mail, return receipt requested, postage prepaid, and addressed to the Holder at its address appearing on the books of the Company.

(l) Closing of Books. The Company will at no time close its transfer books against the transfer of any shares of Common Stock issued or issuable upon the conversion of this Debenture in any manner which interferes with the timely conversion of this Debenture into shares of Common Stock.

Section II.5 Maximum Conversion. The Company shall not effect any conversions of this Debenture and the Holder shall not have the right to convert any portion of this Debenture or to the extent that after giving effect to such conversion, the Holder, together with any affiliate thereof, would beneficially own (as determined in accordance with Section 13(d) of the Exchange Act and the rules promulgated thereunder) in excess of 4.99% (the "**Maximum Percentage**") of the number of shares of Common Stock outstanding immediately after giving effect to such conversion. Since the Holder will not be obligated to report to the Company the number of shares of Common Stock it may hold at the time of a conversion hereunder, unless the conversion at issue would result in the issuance of shares of Common Stock in excess of 4.99% of the then outstanding shares of Common Stock without regard to any other shares which may be beneficially owned by the Holder or an affiliate thereof, the Holder shall have the authority and obligation to determine whether the restriction contained in this Section will limit any particular conversion hereunder and to the extent that the Holder determines that the limitation contained in this Section applies, the determination of which portion of the principal amount of this Debenture is convertible shall be the responsibility and obligation of the Holder. If the Holder has delivered a Conversion Notice for a principal amount of this Debenture that, without regard to any other shares that

the Holder or its affiliates may beneficially own, would result in the issuance in excess of the permitted amount hereunder, the Company shall notify the Holder of this fact and shall honor the conversion for the maximum principal amount permitted to be converted on such Conversion Date in accordance with Section 2.2 and, any principal amount tendered for conversion in excess of the permitted amount hereunder shall remain outstanding under this Debenture. By written notice to the Company, the Holder may (but only as to itself and not to any other holder) from time to time increase the Maximum Percentage to any other percentage not in excess of 9.99% specified in such notice; provided that any such increase will not be effective until the sixty-first (61^{st}) day after such notice is delivered to the Company. Upon request of the Company, the holder shall promptly advise the Company as to the number of shares of Common stock then owned by the holder. Upon request of the Company, the Holder shall promptly advise the Company as to the number of shares of Common stock then owned by the Holder.

ARTICLE III EVENTS OF DEFAULT

Section III.1 Default. If one or more of the following described events (each of which being an **"Event of Default"** hereunder) shall occur and shall be continuing:

(a) the Company shall default in the payment of any principal on this Debenture when and as the same shall become due and payable;

(b) the Company shall default in the payment of interest on this Debenture within five (5) Business Days of written notice to the Company that such amount is due and payable;

(c) any of the representations, covenants, or warranties made by the Company herein shall have been incorrect when made in any material respect;

(d) the Company shall breach, fail to perform, or fail to observe in any material respect any material covenant, term, provision, condition, agreement or obligation of the Company under this Debenture, and such breach or failure to perform shall not be cured within thirty (30) days after written notice to the Company; or

(e) bankruptcy, reorganization, insolvency or liquidation proceedings or other proceedings for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Company and, if instituted against the Company, the Company shall by any action or answer approve of, consent to or acquiesce in any such proceedings or admit the material allegations of, or default in answering a petition filed in any such proceeding or such proceedings shall not be dismissed within ninety (90) calendar days thereafter.

then, or at any time thereafter, and in each and every such case, unless such Event of Default shall have been waived in writing by the Holder (which waiver shall not be deemed to be a waiver of any subsequent default) or cured as provided herein, the Holder may consider the entire principal amount of this Debenture (and all interest through such date) immediately due and payable in cash, without presentment, demand protest or notice of any kind, all of which are hereby expressly waived, anything herein or in any Debenture or other instruments contained to the contrary notwithstanding, and the Holder may immediately enforce any and all of the Holder's rights and remedies provided herein or any other rights or remedies afforded by law.

ARTICLE IV
REGISTRATION RIGHTS

Section IV.1 Registration Rights.

(a) The Company shall use its reasonable best efforts to prepare and file with the Securities and Exchange Commission (the **"Commission"**) a Registration Statement on Form S-1 or other applicable form under the Securities Act (the **"Registration Statement"**) covering the resale the Registrable Securities (as defined in Section 5.1) by the Holder (and the other subscribers) as promptly as possible, and in any event within 90 days after the Issuance Date (the **Filing Date"**). Notwithstanding anything in this Agreement to the contrary, the Company may, by written notice to the Holder, delay the filing of a Registration Statement or any amendment thereto, if in the good faith determination of the Board of Directors, the filing of any registration statement would adversely affect a material proposed or pending acquisition, merger or other material corporate event to which the Company is or expects to be a party.

(b) If a Registration Statement covering the resale the Registrable Securities is not filed on or prior to its Filing Date (any such failure or breach being referred to as an **"Filing Default"**), then on the date of the Filing Default and on each monthly anniversary thereof (if the Filing Default shall not have been cured by such date) until the Filing Default is cured, the Company shall pay to each holder of Debentures an amount in cash, as liquidated damages (**"Liquidated Damages"**) and not as a penalty, equal to 1.0% of the aggregate purchase price paid by such holder pursuant to the Subscription Agreement for such Debentures then held by such holder. The parties agree that the Company shall not be liable for Liquidated Damages with respect to any Warrants or Warrant Shares. The Liquidated Damages pursuant to the terms hereof shall apply on a daily pro-rata basis for any portion of a month prior to the cure of an Event

Section IV.2 Obligations of the Company. In connection with the registration of the Registrable Securities as contemplated by Section 4.1, the Company shall:

(a) prepare a Registration Statement and file it with the Commission, and thereafter use its reasonable best efforts to cause the Registration Statement to become effective as soon as possible after the filing thereof, but in any event within 180 days after the Issuance Date, which Registration Statement (including any amendments or supplements thereto and prospectuses contained therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading;

(b) use its reasonable best efforts to prepare and file with the Commission such amendments (including post-effective amendments) and supplements to the Registration Statement and the prospectus used in connection with the Registration Statement as may be necessary to keep the Registration Statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by the Registration Statement Act until the Registrable Securities can be sold under Rule 144(k) or such earlier date when all Registrable Securities covered by such Registration

Statement have been sold publicly; provided, however, the Company shall not be required to keep the Registration Statement effective for a period of more than three years from the Issuance Date;

(c) furnish to the Holder such number of copies of a prospectus, including a preliminary prospectus and all amendments and supplements thereto, and such other documents, as the Holder may reasonably request in order to facilitate the disposition of the Registrable Securities owned by the Holder;

(d) use reasonable efforts to (i) register and qualify the Registrable Securities covered by the Registration Statement under such other securities or Blue Sky laws of such jurisdictions reasonably requested by the Holder, (ii) prepare and file in those jurisdictions all required amendments (including post-effective amendments) and supplements, (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times the Registration Statement is in effect, and (iv) take all other actions necessary or advisable to enable the disposition of such securities in all such jurisdictions; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Article IV;

(e) use its reasonable best efforts to prepare a supplement or amendment to the Registration Statement to correct any untrue material statement or omission, and deliver a number of copies of such supplement or amendment to the Holder as he, she or it may reasonably request;

(f) promptly notify the Holder (or, in the event of an underwritten offering, the managing underwriters) of the issuance by the Commission of any stop order or other suspension of effectiveness of the Registration Statement, and make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the Registration Statement at the earliest possible time;

(g) provide a transfer agent and registrar, which may be a single entity, for the Registrable Securities not later than the effective date of the Registration Statement; and

(h) cooperate with the Holder to enable such certificates to be in such denominations or amounts, as the case may be, and registered in such names as the managing underwriter or underwriters, if any, or the Holder may reasonably request in order for the Holder and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing Registrable Securities to be sold pursuant to the Registration Statement.

Section IV.3 Obligations of the Holder.

(a) It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Article IV with respect to the Holder that the Holder shall furnish to the Company such information regarding the Holder, the Registrable Securities held by the Holder and the intended method of disposition of such securities as shall be reasonably required to effect the registration of the Registrable Securities and shall execute such documents and agreements in connection with such registration as the Company may reasonably request. At least five (5) Business Days prior to the first anticipated filing date of the Registration Statement, the Company shall notify the Holder of the information the Company requires from the Holder (the "**Requested Information**") if the Holder elects to have any of its Registrable Securities included in the Registration Statement. If within three (3) Business Days of the

filing date the Company has not received the Requested Information from the Holder, then the Company may file the Registration Statement without including Registrable Securities of the Holder.

(b) The Holder, by its, his or her acceptance of the Registrable Securities, agrees to cooperate with the Company in connection with the preparation and filing of any Registration Statement hereunder.

(c) In the event of an underwritten offering, the Holder agrees to enter into and perform its obligations under an underwriting agreement, in usual and customary form, including, without limitation, customary indemnification and contribution obligations, with the managing underwriter of such offering and to take such other actions as are reasonably required in order to expedite or facilitate the disposition of the Registrable Securities, unless the Holder has decided not to participate.

(d) The Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 4.2(e), the Holder will immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until its, his or her receipt of the copies of the supplemented or amended prospectus contemplated by Section 4.2(e). In addition, the Company may restrict disposition of Registrable Securities and the Holder will not be able to dispose of such Registrable Securities, if the Company shall have delivered a certificate to the Holder signed by an officer of the Company stating that in the good faith judgment of the Board of Directors of the Company a delay in the disposition of such Registrable Securities is necessary because the Company has determined that such sales would require public disclosure by the Company of material nonpublic information that is not included in such registration statement.

Section IV.4 Expenses of Registration. In connection with any and all registrations pursuant to Article IV, all expenses other than underwriting discounts and commissions incurred in connection with registration, filings or qualifications, including, without limitation, all registration, listing, filing and qualification fees, printing and accounting fees and costs, the fees and disbursements of counsel for the Company shall be borne by the Company.

Section IV.5 Indemnification. In the event any Registrable Securities are included in a Registration Statement under this Debenture:

(a) To the extent permitted by law, the Company will indemnify and hold harmless the Holder (in such capacity) and its members, managers, directors, officers and/or agents, any underwriter (as defined in the Securities Act) for the Holder, and each person, if any, who controls any such underwriter within the meaning of Section 15 of the Securities Act (each, an "**Indemnified Party**"), against any losses, claims, damages, expenses, liabilities (joint or several) (collectively, "**Claims**") to which any of them may become subject under of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or otherwise, insofar as such Claims (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (each, a "**Violation**"); (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any post-effective amendment thereof, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus if used prior to the effective date of such Registration Statement, or contained in the final prospectus (as amended or supplemented if the Company files any amendment thereof or supplement thereto with the Commission), or the omission or alleged omission to state therein a material fact required to be stated therein, or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Subject to the restrictions set forth in Section 4.5(d) with respect to the number of legal counsel, the Company shall promptly reimburse the Holder, and each such other person entitled to indemnification under this Section 4.5, as such expenses are incurred and are due and payable, for any legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim, whether or not such Claim, investigation or proceeding is brought or initiated by the Company or a third party. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 4.5(a) shall not (i) apply to a Claim arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by the Holder expressly for use in connection with the preparation of the Registration Statement, any prospectus or any such amendment thereof or supplement thereto or any failure of the Holder to deliver a prospectus as required by the Securities Act; or (ii) apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Holder and shall survive the transfer of the Registrable Securities by the Holder as provided herein.

(b) In connection with any Registration Statement in which the Holder is participating in such capacity, the Holder agrees to indemnify and hold harmless, to the same extent and in the same manner set forth in Section 4.5(a), the Company, each of its directors, each of its officers who signs the Registration Statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other stockholder selling securities pursuant to the Registration Statement or any of its directors or officers or any person who controls such stockholder or underwriter (each, also an "**Indemnified Party**"), against any Claim to which any of them may become subject, under the Securities Act, the Exchange Act or otherwise, insofar as such Claim arises out of or is based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished to the Company by the Holder expressly for use in

connection with such Registration Statement; and the Holder shall promptly reimburse an Indemnified Party, as such expenses are incurred and are due and payable, for any legal fees or other reasonable expenses incurred by the Indemnified Party in connection with investigating or defending any such Claim, whether or not such Claim, investigation or proceeding is brought or initiated by the Indemnified Party or a third party; provided, however, that the indemnity agreement contained in this Section 4.5(b) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Holder, which consent shall not be unreasonably withheld.

(c) The Company shall be entitled to receive indemnification from underwriters, selling brokers, dealer managers, and similar securities industry professionals participating in the distribution to the same extent as provided above, with respect to information about such persons so furnished in writing by such persons expressly for inclusion in the Registration Statement.

(d) Promptly after receipt by an Indemnified Party under this Section 4.5 of notice of the commencement of any action (including any governmental action), such Indemnified Party shall, if a Claim in respect thereof is to be made against any indemnifying party under this Section 4.5, deliver to an indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly given notice, to assume control of the defense thereof with counsel satisfactory to the Indemnified Party; provided, however, that an Indemnified Party shall have the right to retain its, his or her own counsel, with the fees and expenses to be paid by the indemnifying party, if, in the reasonable opinion of counsel for such party, representation of such party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such party and any other party represented by such counsel in such proceeding. The Company shall pay for only one legal counsel for the Holder and any Indemnified Party related thereto; such legal counsel shall be selected by the Holder or such other Indemnified Party subject to the Company's approval which shall not be unreasonably withheld. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to another under this Section 4.5, except to the extent that such failure to notify results in the forfeiture by the indemnifying party of substantive rights or defenses. The indemnification required by this Section 4.5 shall be made by periodic payments of the amount thereof during the course of the investigation or defense as such expense, loss, damage or liability is incurred and is due and payable.

Section IV.6 Contribution. To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which, he, she or it would otherwise be liable under Section 4.5 to the fullest extent permitted by law; provided, however, that (a) no contribution shall be made under circumstances where the maker would not have been liable for indemnification under Section 4.5, (b) no seller of Registrable Securities guilty of fraudulent misrepresentation (within the meaning used in the Securities Act) shall be entitled to contribution from any seller of Registrable Securities who was not guilty of such fraudulent misrepresentation, and (c) contribution by any seller of Registrable Securities shall be limited in amount to the net amount of proceeds received by such seller from the sale of such Registrable Securities.

ARTICLE V
DEFINITIONS

Section V.1 Definitions. In addition to those terms already defined herein, the following terms as used in this Debenture shall have the meanings set forth below:

"**Affiliate**" means, with respect to any Person, any other Person directly or indirectly controlling (including but not limited to all directors and officers of such Person), controlled by, or under direct or indirect common control with such Person. For purposes of this definition, "controlling" (including with its correlative meanings, the terms "controlled by" and "under common control with") as used with respect to any Person shall mean the possession, directly or indirectly, of the power (a) to vote or direct the vote of ten percent (10%) or more of the securities having ordinary voting power for the election of directors of such Company or (b) to direct or cause the direction of the management and policies of such corporation, whether through the ownership of securities, by contract of otherwise.

"**Business Day**" means any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the State of New York.

"**Market Price**" means, as to any security, the average of the closing prices of such security's sales on all domestic securities markets on which such security may at the time be listed averaged over a period of ten (10) trading days in which the stock traded immediately preceding the day as of which "**Market Price**" is being determined. If at any time such security is not listed on any domestic securities exchange or quoted on the OTC Bulletin Board or other domestic over-the-counter market, the "Market Price" shall be the fair value thereof as determined in good faith by a majority of the Company's Board of Directors (determined without giving effect to any discount for minority interest, any restrictions on transferability or any lack of liquidity of the Common Stock or to the fact that the Company has no class of equity registered under the Securities Act), such fair value to be determined by reference to the price that would be paid between a fully informed buyer and seller under no compulsion to buy or sell.

"**Person**" means an individual, partnership, corporation, trust, unincorporated organization, joint venture, government or agency, political subdivision thereof, or any other entity of any kind.

"**Principal Trading Market**" means the Trading Market on which the Common Stock is primarily listed on and quoted for trading, which, as of the date of this Debenture, is the OTC Bulletin Board.

"**Registrable Securities**" means (i) the shares of Common Stock issuable upon conversion of this Debenture, and (ii) any securities issued or issuable with respect to Common Stock by way of a stock dividend or stock split or in connection with a combination or reorganization or otherwise.

"**Trading Day**" means any day on which the Common Stock is listed or quoted and traded on its Principal Trading Market.

ARTICLE VI
MISCELLANEOUS

Section VI.1 Rights Cumulative. The rights, powers and remedies given to the Holder under this Debenture shall be in addition to all rights, powers and remedies given to him, her or it by virtue of any document or instrument executed in connection therewith, or any statute or rule of law.

Section VI.2 No Waivers. Any forbearance, failure or delay by the Payee in exercising any right, power or remedy under this Debenture, any documents or instruments executed in connection therewith or otherwise available to the Holder shall not be deemed to be a waiver of such right, power or remedy, nor shall any single or partial exercise of any right, power or remedy preclude the further exercise thereof.

Section VI.3 Amendments in Writing. Except as otherwise provided herein, the provisions of the Debentures (including this Debenture) may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the holder of this Debenture.

Section VI.4 Governing Law. This Debenture and the rights and obligations of the parties hereto, shall be governed, construed and interpreted according to the laws of the State of New York applicable to agreements made and to be performed entirely within such State.

Section VI.5 Successors. The term "Payee" and "Holder" as used herein shall be deemed to include the Payee and its successors, endorsees and assigns.

Section VI.6 Stamp or Transfer Tax. The Company will pay any documentary stamp or transfer taxes attributable to the initial issuance of the Common Stock issuable upon the conversion of this Debenture; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer involved in the issuance or delivery of any certificates for the Common Stock in a name other than that of the Holder in respect of which such Common Stock is issued, and in such case the Company shall not be required to issue or deliver any certificate for the Common Stock until the person requesting the same has paid to the Company the amount of such tax or has established to the Company's satisfaction that such tax has been paid.

Section VI.7 Mutilated, Lost, Stolen or Destroyed Debenture. In case this Debenture shall be mutilated, lost, stolen or destroyed, the Company shall issue and deliver in exchange and substitution for and upon cancellation of the mutilated Debenture, or in lieu of and substitution for the Debenture, mutilated, lost, stolen or destroyed, a new Debenture of like tenor and representing an equivalent right or interest, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction and an indemnity, if requested, also reasonably satisfactory to it.

Section VI.8 No Rights as Stockholder. Nothing contained in this Debenture shall be construed as conferring upon the Holder the right to vote or to receive dividends (except as provided in Article II of this Debenture) or to consent or to receive notice as a stockholder in respect of any meeting of stockholders for the election of directors of the Company or of any other matter, or any rights whatsoever as stockholders of the Company.

IN WITNESS WHEREOF, CopyTele, Inc. has caused this Debenture to be duly executed and delivered as of the date first above written.

COPYTELE, INC.

By:
Name:
Title:

ATTACHMENT I

Assignment

For value received, the undersigned hereby assigns to _____, $_____ principal amount of 8% Convertible Debenture due 2015 evidenced hereby and hereby irrevocably appoints _____ attorney to transfer the Debenture on the books of the within named corporation with full power of substitution in the premises.

Dated:

In the presence of:

_____ _____

Print Name

_____

Signature

ATTACHMENT II

CONVERSION NOTICE

TO: COPYTELE, INC.

The undersigned holder of this Debenture hereby irrevocably exercises the option to convert $_____ principal amount of such Debenture (which may be less than the stated principal amount thereof) into shares of Common Stock of CopyTele, Inc., in accordance with the terms of such Debenture, and directs that the shares of Common Stock issuable and deliverable upon such conversion, together with a check (if applicable) in payment for any fractional shares as provided in such Debenture, be issued and delivered to the undersigned unless a different name has been indicated below. If shares of Common Stock are to be issued in the name of a person other than the undersigned holder of such Debenture, the undersigned will pay all transfer taxes payable with respect thereto.

Address of Holder

_____

_____

_____ _____

Print Name of Holder

_____

Signature of Holder

Principal amount of Debenture to be converted $_____

If shares are to be issued otherwise then to the holder:

Address of Transferee

_____

_____

_____ _____

Print Name of Transferee

_____

Social Security or Employer Identification Number of Transferee

Issuance Date of Debenture: January __, 2013

EXHIBIT 10.40

NEITHER THIS WARRANT NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT MAY NOT BE OFFERED FOR SALE, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OR (B) AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS OR BLUE SKY LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY OR (II) UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT.

Warrant No. ___ Expiration Date: January 25, 2016

Warrant to Purchase _____ Shares

COPYTELE, INC.
COMMON STOCK PURCHASE WARRANT

This certifies that, for good and valuable consideration, CopyTele, Inc., a Delaware corporation (including any successor thereto with respect to the obligations hereunder, by merger, consolidation or otherwise, the "**Company**"), grants to _____ or permitted assigns (the "**Warrantholder**") the right to subscribe for and purchase, in whole or in part, from time to time from the Company _____ duly authorized, validly issued, fully paid and nonassessable shares (the "**Warrant Shares**") of the Company's Common Stock, par value $.01 per share (the "**Common Stock**"), at the purchase price per share of $0.30 (the "**Exercise Price**") at any time prior to 5:00 p.m., New York time on the Expiration Date, all subject to the terms, conditions and adjustments herein set forth. The terms that are capitalized herein shall have the meanings specified in Section 10 hereof, unless the context shall otherwise require.

This Warrant (this "**Warrant**") is one of a series of warrants (collectively, the "**Warrants**") being issued pursuant to Subscription Agreements, dated January 25, 2013, by and between the Company and the subscriber parties thereto (the "**Subscription Agreement**").

1. Duration and Exercise of Warrant: Limitation on Exercise: Payment of Taxes.

1.1. Duration and Exercise of Warrant. Subject to the terms and conditions set forth herein, this Warrant may be exercised, in whole or in part, by the Warrantholder by:

(a) the surrender of this Warrant to the Company, with a duly executed Exercise Form specifying the number of Warrant Shares to be purchased, during normal business hours on any Business Day prior to the Expiration Date, and the delivery of payment to the Company of the Exercise Price for the number of Warrant Shares specified in the Exercise Form in the form of cash or certified or bank check payable to the order of the Company; or

(b) if there is not an effective Registration Statement covering the Warrant Shares, in lieu of any cash payment, the surrender of this Warrant to the Company, with a duly executed Exercise Form specifying the number of Warrant Shares to be purchased, during normal business hours on any Business Day prior to the Expiration Date, in exchange for the number of shares of Common Stock computed by using the following formula:

$$X = \frac{Y (A - B)}{A}$$

Where X = the number of shares of Common Stock to be issued to the Warrantholder pursuant to the net exercise.

Y = the number of shares of Common Stock subject to the Warrant being exercised or, if only a portion of such Warrant is being exercised, the portion of such Warrant being canceled (at the time of such calculation).

A = the Fair Market Value of one share of Common Stock (at the date of such calculation).

B = the Exercise Price (as adjusted to the date of such calculation).

For purposes of this Section 1.1(b), the "**Fair Market Value**" of one share of Common Stock shall be determined by the Company's Board of Directors in good faith. Notwithstanding the foregoing, if the Common Stock is traded on a Trading Market, the "**Fair Market Value**" of one share of Common Stock shall be equal to (i) the average of the Closing Sale Price of the Common Stock as quoted on the Principal Trading Market for the ten (10) trading days immediately preceding the date of exercise, or (ii) if no sales take place on any such trading day, the average of the closing bid and asked prices on such ten (10) trading-day period.

The Company agrees that such Warrant Shares shall be deemed to be issued to the Warrantholder as the record holder of such Warrant Shares as of the close of business on the date on which this Warrant shall have been surrendered and payment made for the Warrant Shares as aforesaid. Notwithstanding the foregoing, no such surrender shall be effective to constitute the person entitled to receive such shares as the record holder thereof while the transfer books of the Company for the Common Stock are closed for

any purpose (but not for any period in excess of five (5) days); but any such surrender of this Warrant for exercise during any period while such books are so closed shall become effective for exercise immediately upon the reopening of such books, as if the exercise had been made on the date this Warrant was surrendered and for the number of shares of Common Stock and at the Exercise Price in effect at the date of such surrender. This Warrant and all rights and options hereunder shall expire on the Expiration Date, and shall be wholly null and void and of no value to the extent this Warrant is not exercised before it expires.

The delivery by (or on behalf of) the Warrantholder of the Exercise Form and the applicable Exercise Price as provided above shall constitute the Warrantholder's certification to the Company that its representations contained in Section 6 of the Subscription Agreement are true and correct as of the exercise date as if remade in their entirety (or, in the case of any transferee Warrantholder that is not a party to the Subscription Agreement, such transferee Warrantholder's certification to the Company that such representations are true and correct as to such assignee Warrantholder as of the exercise date).

1.2. Warrant Shares Certificate. A stock certificate or certificates for the Warrant Shares specified in the Exercise Form shall be delivered to the Warrantholder within fifteen (15) Business Days after receipt of the Exercise Form by the Company and payment of the purchase price. If this Warrant shall have been exercised only in part, the Company shall, at the time of delivery of the stock certificate or certificates, deliver to the Warrantholder a new Warrant evidencing the rights to purchase the remaining Warrant Shares, which new Warrant shall in all other respects be identical with this Warrant.

1.3. Payment of Taxes. The issuance of certificates for Warrant Shares shall be made without charge to the Warrantholder for any stock transfer or other issuance tax in respect thereto; provided, however, that the Warrantholder shall be required to pay any and all taxes that may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the then Warrantholder as reflected upon the books of the Company.

2. Restrictions on Transfer: Restrictive Legends.

2.1. Limitation on Transfer. No Warrantholder shall, directly or indirectly, sell, give, assign, hypothecate, pledge, encumber, grant a security interest in or otherwise dispose of (whether by operation of law or otherwise) (each a "**Transfer**") this Warrant or any right, title or interest herein or hereto, except in accordance with the provisions of this Warrant. Any attempt to transfer this Warrant or any rights hereunder in violation of the preceding sentence shall be null and void ab initio and the Company shall not register any such transfer.

2.2. Transfer Procedures. If any Warrantholder wishes to transfer this Warrant to a transferee (a "**Transferee**") under this Section 2, such Warrantholder shall give notice to the Company of its intention to make any transfer permitted under this Section 2 not less than five (5) days prior to effecting such transfer, which notice shall state the name and address of each Transferee to whom such transfer is proposed. This Warrant may, in accordance with the terms hereof, be transferred in whole or in part. If this Warrant is assigned in whole, the assignee shall receive a new Warrant (registered in the name of such assignee or its nominee) which new Warrant shall cover the number of shares assigned. If this Warrant is assigned in part, the assignor and assignee shall each receive a new Warrant (which, in the case of the assignee, shall be registered in the name of the assignee or its nominee), each of which new Warrant shall cover the number of shares not so assigned and in respect of which no such exercise has been made in the case of the assignor and the number of shares so assigned, in the case of the assignee.

2.3. Transfers in Compliance with Law: Substitution of Transferee. Notwithstanding any other provision of this Warrant, no transfer may be made pursuant to this Section 2 unless (a) the Transferee has agreed in writing to be bound by the terms and conditions hereto, (b) the transfer complies in all respects with the applicable provisions of this Warrant, and (c) the transfer complies in all respects with applicable federal and state securities laws, including, without limitation, the Securities Act of 1933, as amended. If requested by the Company in its reasonable judgment, the transferring Warrantholder shall supply to the Company (x) an opinion of counsel, at such transferring Warrantholder's expense, to the effect that such transfer complies with the applicable federal and state securities laws; provided, however, that no such opinion shall be required if the Transferee is a successor trust to the Warrantholder which has the same beneficiaries and (y) a written statement to the Company, in such form as it may reasonably request, certifying that the Transferee is an "accredited investor" as defined in Rule 501(a) under the Securities Act. Any attempt to transfer this Warrant or rights hereunder in violation of this Warrant shall be null and void ab initio and the Company shall not register such transfer.

3. Legends.

Each Warrant (and each Warrant issued in substitution for any Warrant pursuant hereto) shall be stamped or otherwise imprinted with a legend in substantially the following form:

> NEITHER THIS WARRANT NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT MAY NOT BE OFFERED FOR SALE, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OR (B) AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS OR BLUE SKY LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY OR (II) UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT.

Each stock certificate for Warrant Shares issued upon the exercise of any Warrant and each stock certificate issued upon the direct or indirect transfer of any such Warrant Shares shall be stamped or otherwise imprinted with a legend in substantially the following form:

> THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OR (B) AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS OR BLUE SKY LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY OR (II) UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT.

Notwithstanding the foregoing, the Warrantholder may require the Company to issue a Warrant or a stock certificate for Warrant Shares, in each case without a legend, if either (i) such Warrant or such Warrant Shares, as the case may be, have been registered for resale under the Securities Act or (ii) the Warrantholder has delivered to the Company an opinion of counsel (reasonably satisfactory to the Company) which opinion shall be addressed to the Company and be reasonably satisfactory in form and substance to the Company's counsel, to the affect that such registration is not required with respect to such Warrant or such Warrant Shares, as the case may be.

4. Reservation of Shares, Etc.

The Company covenants and agrees as follows:

(a) All Warrant Shares that are issued upon the exercise of this Warrant will, upon issuance, be duly and validly issued, fully paid and nonassessable, not subject to any preemptive rights, and free from all taxes, liens, security interests, charges, and other encumbrances with respect to the issuance thereof, other than taxes in respect of any transfer occurring contemporaneously with such issue.

(b) During the period within which this Warrant may be exercised, the Company will at all times have authorized and reserved, and keep available free from preemptive rights, a sufficient number of shares of Common Stock to provide for the exercise of the rights represented by this Warrant.

5. Loss or Destruction of Warrant.

Subject to the terms and conditions hereof, upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, of such bond or indemnification as the Company may reasonably require and, in the case of such mutilation, upon surrender and cancellation of this Warrant, the Company will execute and deliver a new Warrant of like tenor. If the original holder of this Warrant or any subsequent Institutional Holder with a minimum net worth of at least $25,000,000 is the owner of this Warrant at the time it shall be lost, stolen or destroyed, then the affidavit of an authorized officer of such owner, setting forth the fact of such loss, theft or destruction and of its ownership of this Warrant at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no further bond shall be required as a condition to the execution and delivery of a new Warrant other than the written agreement of such owner to indemnify the Company.

6. Ownership of Warrant.

6.1 Ownership of Warrant. The Company may deem and treat the person in whose name this Warrant is registered as the holder and owner hereof (notwithstanding any notations of ownership or writing hereon made by anyone other than the Company) for all purposes and shall not be affected by any notice to the contrary, until presentation of this Warrant for registration of transfer. Notwithstanding the foregoing, the Warrants represented hereby, if properly assigned in compliance with this Agreement, may be exercised by an assignee for the purchase of Warrant Shares without having a new Warrant issued.

6.2 Limitations on Exercise. The Company shall not effect any exercise of this Warrant and the holder shall not have the right to exercise any portion of this Warrant or to the extent that after giving effect to such exercise, the holder, together with any affiliate thereof, would beneficially own (as determined in accordance with Section 13(d) of the Exchange Act and the rules promulgated thereunder) in excess of 4.99% (the "**Maximum Percentage**") of the number of shares of Common Stock outstanding immediately after giving effect to such exercise. Since the holder will not be obligated to report to the Company the number of shares of Common Stock it may hold at the time of an exercise hereunder, unless the exercise at issue would result in the issuance of shares of Common Stock in excess of 4.99% of the then outstanding shares of Common Stock without regard to any other shares which may be beneficially owned by the holder or an affiliate thereof, the holder shall have the authority and obligation to determine whether the restriction contained in this Section will limit any particular exercise and to the extent that the holder determines that the limitation contained in this Section applies, the determination of which portion of the principal amount of this Warrant is exercisable shall be the responsibility and obligation of the holder. If the holder has delivered an Exercise Notice for a portion of this Warrant that, without regard to any other shares that the holder or its affiliates may beneficially own, would result in the issuance in excess of the permitted amount hereunder, the Company shall notify the holder of this fact and shall honor the exercise for the maximum principal amount permitted to be exercised on such exercise date in accordance with Section 1 and, any principal amount tendered for exercise in excess of the permitted amount hereunder shall remain outstanding under this Warrant. By written notice to the Company, the Holder may (but only as to itself and not to any other holder) from time to time increase the Maximum Percentage to any other percentage not in excess of 9.99% specified in such notice; provided that any such increase will not be effective until the sixty-first (61^{st}) day after

such notice is delivered to the Company. Upon request of the Company, the holder shall promptly advise the Company as to the number of shares of Common stock then owned by the holder.

7. Certain Adjustment.

7.1. Adjustment for Certain Events. The number of Warrant Shares purchasable upon the exercise of this Warrant and the Exercise Price shall be subject to adjustment as follows:

(a) Stock Dividends: Stock Splits. If at any time after the date of the issuance of this Warrant (i) the Company shall pay a stock dividend or make any other distribution payable in shares of Common Stock or (ii) the number of shares of Common Stock shall have been increased by a subdivision or split-up of shares of Common Stock, then, on the date of the payment of such dividend or immediately after the effective date of subdivision or split-up, as the case may be, the number of shares to be delivered upon exercise of this Warrant will be increased so that the Warrantholder will be entitled to receive the number of shares of Common Stock that such Warrantholder would have owned immediately following such action had this Warrant been exercised immediately prior thereto, and the Exercise Price will be adjusted as provided in Section 7.1(f).

(b) Combination of Stock. If the number of shares of Common Stock outstanding at any time after the date of the issuance of this Warrant shall have been decreased by a combination of the outstanding shares of Common Stock, then, immediately after the effective date of such combination, the number of shares of Common Stock to be delivered upon exercise of this Warrant will be decreased so that the Warrantholder thereafter will be entitled to receive the number of shares of Common Stock that such Warrantholder would have owned immediately following such action had this Warrant been exercised immediately prior thereto, and the Exercise Price will be adjusted as provided in Section 7.1(f).

(c) Reorganization, etc. If any capital reorganization of the Company, or any reclassification of the Common Stock, or any consolidation or share exchange of the Company with or merger of the Company with or into any other person or any sale, lease or other transfer of all or substantially all of the assets of the Company to any other person, shall be effected in such a way that the holders of Common Stock shall be entitled to receive stock, other securities or assets (whether such stock, other securities or assets are issued or distributed by the Company or another person) with respect to or in exchange for Common Stock, then, upon exercise of this Warrant, the Warrantholder shall have the right to receive the kind and amount of stock, other securities or assets receivable upon such reorganization, reclassification, consolidation, merger or sale, lease or other transfer by a holder of the number of shares of Common Stock that such Warrantholder would have been entitled to receive upon exercise of this Warrant had this Warrant been exercised immediately before such reorganization, reclassification, consolidation, merger or sale, lease or other transfer, subject to adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 7.1.

(d) Fractional Share. No fractional shares of Common Stock shall be issued to any Warrantholder in connection with the exercise of this Warrant. Instead of any fractional shares of Common Stock that would otherwise be issuable to such Warrantholder, the Company will pay to such Warrantholder a cash adjustment in respect of such fractional interest in an amount equal to that fractional interest of the then current fair market value per share of Common Stock (based on the Closing Sale Price).

(e) Carryover. Notwithstanding any other provision of this Section 7.1, no adjustment shall be made to the number of shares of Common Stock to be delivered to the Warrantholder (or to the Exercise Price) if such adjustment represents less than one percent (1%) of the number of shares to be so delivered, but any lesser adjustment shall be carried forward and shall be made at the time and together with the next subsequent adjustment that together with any adjustments so carried forward shall amount to one percent (1%) or more of the number of shares to be so delivered. However, upon the exercise of this Warrant, the Company shall make all necessary adjustments not theretofore made to the number of shares of Common Stock to be delivered to the Warrantholder (or to the Exercise Price) up to and including the date upon which this Warrant is exercised. All calculations under this Section 7 shall be made to the nearest cent or the nearest share, as applicable.

(f) Exercise Price Adjustment. Whenever the number of Warrant Shares purchasable upon the exercise of the Warrant is adjusted as provided pursuant to this Section 7.1, the Exercise Price payable upon the exercise of this Warrant shall be adjusted by multiplying such Exercise Price immediately prior to such adjustment by a fraction, of which the numerator shall be the number of Warrant Shares purchasable upon the exercise of the Warrant immediately prior to such adjustment, and of which the denominator shall be the number of Warrant Shares purchasable immediately thereafter; provided, however, that the Exercise Price for each Warrant Share shall in no event be less than the par value of such Warrant Share.

7.2. No Adjustment for Dividends. Except as provided in Section 7.1, no adjustment in respect of any dividends shall be made during the term of this Warrant or upon the exercise of this Warrant. Notwithstanding any other provision hereof, no adjustments shall be made on Warrant Shares issuable on the exercise of this Warrant for any cash dividends paid or payable to holders of record of Common Stock prior to the date as of which the Warrantholder shall be deemed to be the record holder of such Warrant Shares.

7.3. Notice of Adjustment. Whenever the number of Warrant Shares or the Exercise Price of such Warrant Shares is adjusted, as herein provided, or the rights of the Warrantholder shall change by reason of other events specified herein, the Company shall promptly mail by first class, postage prepaid, to the Warrantholder, notice of such adjustment or adjustments and a certificate of the Chief Financial Officer of the Company setting forth the number of Warrant Shares and the Exercise Price of such Warrant Shares after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made.

8. Amendments.

Except as otherwise provided herein, the provisions of the Warrants (including this Warrant) may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the holders representing at least two-thirds of the shares of Common Stock issuable upon exercise of the outstanding Warrants; provided that, no such action may increase the Exercise Price or decrease the number of shares or class of stock obtainable upon exercise of this Warrant without the written consent of the holder of this Warrant.

9. Notices of Corporate Action.

So long as this Warrant is outstanding and has not been exercised in full, in the event of:

(a) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right,

(b) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company or any consolidation or merger involving the Company and any other party or any transfer of all or substantially all the assets of the Company to any other party, or

(c) any voluntary or involuntary dissolution, liquidation or winding-up of the Company,

the Company will mail to the Warrantholder a notice specifying (i) the date or expected date on which any such record is to be taken for the purpose of such dividend, distribution or right and the amount and character of any such dividend, distribution or right and (ii) the date or expected date on which any such reorganization, reclassification, recapitalization, consolidation, merger, transfer, dissolution, liquidation or winding-up is to take place and the time, if any such time is to be fixed, as of which the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for the securities or other property deliverable upon such reorganization, reclassification, recapitalization, consolidation, merger, transfer, dissolution, liquidation or winding-up. Such notice shall be delivered at least ten (10) days prior to the date therein specified, in the case of any date referred to in the foregoing subdivisions (i) and (ii).

10. Definitions.

As used herein, unless the context otherwise requires, the following terms have the following respective meanings:

"**Business Day**" means any day other than a Saturday, Sunday or a day on which national banks are authorized by law to close in the State of New York.

"**Closing Sale Price**" means, for any security as of any date, the last trade price for such security on the Principal Trading Market, as reported by Bloomberg Financial Markets, or, if the Principal Trading Market begins to operate on an extended hours basis and does not designate the last trade price then the last trade price of such security prior to 4:00 p.m., New York City time, as reported by Bloomberg, Financial Markets, or if the foregoing do not apply, the last trade price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg Financial Markets, or, if no closing price is reported for such security by Bloomberg Financial Markets, the average of the bid prices and asked prices of any market makers for such security as reported in the "pink sheets" by Pink Sheets LLC. If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Sale Price of such security on such date shall be the fair market value as determined by the Company's Board of Directors in good faith.

"**Common Stock**" has the meaning specified on the cover of this Warrant.

"**Company**" has the meaning specified on the cover of this Warrant.

"**Exercise Form**" means an Exercise Form in the form annexed hereto as Exhibit A.

"**Exercise Price**" has the meaning specified on the cover of this Warrant.

"**Expiration Date**" means January __, 2016; provided, however, that if such date shall not be a Business Day, then on the next following day that is a Business Day.

"**Institutional Holder**" means any holder of the Warrants that is a bank, trust company, savings and loan association or other financial institution, any pension plan, any pension trust, any investment company, any insurance company, any broker or dealer, or any similar financial institution or entity, regardless of legal form.

"**Person**" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority or other entity.

"**Principal Trading Market**" means the Trading Market on which the Common Stock is primarily listed on and quoted for trading, which, as of the date of this Warrant, is the OTC Bulletin Board.

"**Securities Act**" has the meaning specified on the cover of this Warrant, or any similar Federal statute, and the rules and regulations of the Securities and Exchange Commission thereunder, all as the same shall be in effect at the time. Reference to a particular section of the Securities Act, shall include a reference to the comparable section, if any, of any such similar Federal statute.

"**Trading Market**" means whichever of the New York Stock Exchange, the American Stock Exchange, the Nasdaq Global Select Market, the Nasdaq Global Market, the Nasdaq Capital Market or the OTC Bulletin Board on which the Common Stock is listed or quoted for trading on the date in question.

"**Transfer**" has the meaning specified in Section 2.1.

"**Transferee**" has the meaning specified in Section 2.2.

"**Warrantholder**" has the meaning specified on the cover of this Warrant.

"**Warrant Shares**" has the meaning specified on the cover of this Warrant.

11. Miscellaneous.

11.1. Entire Agreement. This Warrant constitutes the entire agreement between the Company and the Warrantholder with respect to the Warrants.

11.2. Binding Effect; Benefits. This Warrant shall inure to the benefit of and shall be binding upon the Company and the Warrantholder and their respective successors and assigns. Nothing in this Warrant, expressed or implied, is intended to or shall confer on any person other than the Company and the Warrantholder, or their respective successors or assigns, any rights, remedies, obligations or liabilities under or by reason of this Warrant.

11.3. Section and Other Headings. The section and other headings contained in this Warrant are for reference purposes only and shall not be deemed to be a part of this Warrant or to affect the meaning or interpretation of this Warrant.

11.4. Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder (including, without limitation, any Exercise Notice) shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile (provided the sender receives a machine-generated confirmation of successful transmission) at the facsimile number specified below prior to 5:00 P.M., New York City time, on a trading day, (ii) the next trading day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified below on a day that is not a trading day or later than 5:00 P.M., New York City time, on any trading day, (iii) the trading day following the date of mailing, if sent by nationally recognized overnight courier service specifying next Business Day delivery, or (iv) upon actual receipt by the party to whom such notice is required to be given, if by hand delivery. The address and facsimile number of a party for such notices or communications shall be as set forth below unless changed by such party by two (2) Business Days' prior notice to the other party in accordance with this Section 11.4:

(a) if to the Company, addressed to:

CopyTele, Inc.
900 Walt Whitman Road
Melville, New York 11747
Atn: Chief Executive Officer
Facsimile: (631) 549-5974

(b) if to Warrantholder, to the address set forth in the Subscription Agreement.

11.5. Severability. Any term or provision of this Warrant which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the terms and provisions of this Warrant or affecting the validity or enforceability of any of the terms or provisions of this Warrant in any other jurisdiction.

11.6. Governing Law. This Warrant shall be deemed to be a contract made under the laws of the State of New York and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to such agreements made and to be performed entirely within such State.

11.7. No Rights or Liabilities as Stockholder. Nothing contained in this Warrant shall be determined as conferring upon the Warrantholder any rights as a stockholder of the Company or as imposing any liabilities on the Warrantholder to purchase any securities whether such liabilities are asserted by the Company or by creditors or stockholders of the Company or otherwise.

11.8. Copy of Warrant. A copy of this Warrant shall be filed among the records of the Company.

11.9. Exercise of Remedies. In the event that the Company shall fail to observe any provision contained in this Warrant, the holder hereof and/or any holder of the Common Stock issued hereunder, as the case may be, may enforce its rights hereunder by suit in equity, by action at law, or by any other appropriate proceedings in aid of the exercise of any power granted in this Warrant and, without limiting the foregoing, said holder shall be entitled to the entry of a decree for specific performance and to such other and further relief as such court may decree.

* * *

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer.

COPYTELE, INC.

By: _____
Name:
Title:

Dated: January __, 2013

Exhibit A

EXERCISE FORM

(To be executed upon exercise of this Warrant)

The undersigned hereby irrevocably elects to exercise the right, represented by this Warrant, to purchase _____ of the Warrant Shares and:

 herewith tenders payment for such Warrant Shares to the order of CopyTele, Inc. in the amount of $_____, in accordance with the terms of this Warrant; or

 elects the cashless exercise option to be conducted in accordance with Section 1.1(b) and the other terms of this Warrant.

The undersigned requests (a) that a certificate for such Warrant Shares be registered in the name of the undersigned (b) if such shares shall not include all of the shares issuable as provided in such Warrant, that a new Warrant of like tenor and date for the balance of the shares issuable thereunder be issued to the undersigned and (c) that such certificates and Warrant, if any, be delivered to the undersigned's address below.

The undersigned represents that it is acquiring such Warrant Shares for its own account for investment and not with a view to or for sale in connection with any distribution thereof.

Dated:_____

Signature_____

_____
(Print Name)

_____
(Street Address)

_____
(City) (State) (Zip Code)

_____
Social Security or
Tax Identification Number

Signed in the presence of:

_____

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
CopyTele, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-105012, 333-120333, 333-132544, 333-146261, 333-156836, 333-168223, 333-175392, and 333-184410) on Form S-8 of CopyTele, Inc. of our report dated January 29, 2013, with respect to the consolidated balance sheets of CopyTele, Inc. as of October 31, 2012 and 2011, and the related consolidated statements of operations, stockholders' equity (deficiency), and cash flows for each of the years then ended, which report appears in the October 31, 2012 annual report on Form 10-K of CopyTele, Inc.

Our report dated January 29, 2013 contains an explanatory paragraph that states that the Company has suffered recurring losses from operations, has negative working capital, and has a shareholders' deficiency, which raise substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of that uncertainty.

(signed) KPMG LLP

Melville, New York
January 29, 2013

Exhibit 31.1

CERTIFICATION

I, Robert A. Berman, Chief Executive Officer of CopyTele, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of CopyTele, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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/ Robert A. Berman
Robert A. Berman
Chief Executive Officer

January 29, 2013

Exhibit 31.2

CERTIFICATION

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

1. I have reviewed this annual report on Form 10-K of CopyTele, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

January 29, 2013

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, Robert A. Berman, the Chief Executive Officer of CopyTele, Inc., hereby certifies that:

1. The Company's Form 10-K Annual Report for the fiscal year ended October 31, 2012 (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/ Robert A. Berman
Robert A. Berman
Chief Executive Officer

January 29, 2013

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-K Annual Report for the fiscal year ended October 31, 2012 (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
Chief Financial Officer

January 29, 2013