As filed with the Securities and Exchange Commission on December 8, 2014

Registration No. 333-_____

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

Form S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

ITUS CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware	**6794**	**11-2622630**
(State or other jurisdiction of incorporation or organization)	Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

900 Walt Whitman Road
Melville, NY 11747
Telephone: (631) 549-5900
(Address, including zip code, and telephone number, including area code, of principal executive offices)

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Approximate date of proposed sale to public: As soon as practicable on or after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered(1)	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Shares of common stock(2)	2,520,000	$ 0.15(3)	$ 378,000.00	$ 43.92
Shares of common stock underlying Series A Convertible Preferred Stock (4)	18,498,943	$ 0.1892(5)	$ 3,500,000.00	$ 406.70
Shares of common stock underlying warrants (6)	9,249,472	-	-	(6)
Total	30,268,415		$ 3,878,000.00	$ 450.62

(1) Pursuant to Rule 416 of the Securities Act of 1933, as amended (the "Securities Act"), the shares of common stock offered hereby also include such presently indeterminate number of shares of the registrant's common stock as a result of stock splits, stock dividends or similar transactions.
(2) Represents shares of common stock being registered for resale that were issued to the selling stockholder on September 9, 2014 in connection with the conversion of the principal and all accrued but unpaid interest on a convertible debenture (the "Debt Conversion") originally issued in a private placement on November 11, 2013 (the "November Private Placement").
(3) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, based on the average of the high and low sales price of the common stock on the OTCQB Market on December 2, 2014.
(4) Represents shares of common stock underlying shares of Series A Convertible Preferred Stock (the "Series A Preferred Stock") issued in connection with the Debt Conversion.
(5) Proposed maximum offering price per share is based on the conversion price of the Series A Preferred Stock in accordance with Rule 457(g).
(6) Represents shares of common stock issuable upon the exercise of warrants (the "Warrants") issued in the November Private Placement and amended in connection with the Debt Conversion. The registrant has previously paid $450.80 in connection with the filing of Registration Statement No. 333-193826 which registered the sale of these shares and is included in this Registration Statement pursuant to Rule 429 of the Securities Act.

Pursuant to Rule 429 under the Securities Act, the prospectus contained in this Registration Statement will be used as a combined prospectus in connection with this Registration Statement and Registration Statement No. 333-193826 (the "Prior Registration Statement"), which was filed on February 7, 2014, amended on April 23, 2014 and May 6, 2014 and became effective on May 8, 2014, under which the 9,249,472 shares underlying the Warrants remain unsold. This Registration Statement is a new registration statement and also constitutes Post-Effective Amendment No. 1 to the Prior Registration Statement. Such Post-Effective Amendment will become effective concurrently with the effectiveness of this Registration Statement in accordance with Section 8(c) of the Securities Act.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission acting pursuant to said Section 8(a) may determine.

EXPLANATORY NOTE

Pursuant to Rule 429 under the Securities Act, the prospectus included in this Registration Statement is a combined prospectus relating to:

(i) the resale of 2,520,000 shares of common stock issued to Adaptive Capital in connection with the Debt Conversion as described in further detail in the prospectus, such shares being initially registered herein;

(ii) the resale of 18,498,943 shares of common stock underlying our Series A Preferred Stock issued to Adaptive Capital in connection with the Debt Conversion as described in further detail in the prospectus, such shares being initially registered herein; and

(iii) the resale of 9,249,472 shares of common stock issuable upon the exercise of Warrants which were issued to Adaptive Capital in the November Private Placement and previously registered on Registration Statement No. 333-193826, filed on Form S-3 and declared effective on May 8, 2014.

This Registration Statement, which is a new registration statement, also constitutes Post-Effective Amendment No. 1 to Registration Statement No. 333-193826, and such post-effective amendment shall hereafter become effective concurrently with the effectiveness of this Registration Statement and in accordance with Section 8(c) of the Securities Act.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the Securities and Exchange Commission declares our registration statement effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated December 8, 2014

Prospectus

ITUS CORPORATION

30,268,415 Shares of Common Stock

This prospectus relates to the resale of up to 30,268,415 shares of common stock, par value $0.01 per share, of ITUS Corporation ("we," "us," "our," the "Company," or "ITUS") held by a selling stockholder, consisting of the following:

- 2,520,000 shares of common stock issued on September 9, 2014 in connection with the conversion of a 6% convertible debenture (the "Debenture") held by Adaptive Capital, LLC ("Adaptive Capital") that was originally issued on November 11, 2013 in a private placement (the "November Private Placement");
- 18,498,943 shares of common stock issuable upon the conversion of 3,500 shares of Series A Convertible Preferred Stock (the "Series A Preferred Stock") held by Adaptive Capital that was issued on September 9, 2014 in exchange for 15,978,943 shares of common stock that were issued to Adaptive Capital on September 9, 2014 in connection with the conversion of the Debenture held by Adaptive Capital that was originally issued in the November Private Placement; and
- 9,249,472 shares of common stock issuable upon the exercise of a warrant (the "Warrant") held by Adaptive Capital that was issued in the November Private Placement and previously registered on Registration Statement No. 333-193826, filed on Form S-3 and declared effective on May 8, 2014.

We will not receive any proceeds from the resale of any of the shares of common stock being registered hereby. However, we may receive proceeds from the exercise of the warrants exercised other than pursuant to any applicable cashless exercise provisions of the warrants.

Our common stock is quoted on the OTCQB under the symbol "ITUS." On December 2, 2014, the last reported sale price of our common stock on the OTCQB was $0.15 per share.

The selling stockholder may offer all or part of the shares for resale from time to time through public or private transactions, at either prevailing market prices or at privately negotiated prices. With regard only to the shares it sells for its own behalf, Adaptive Capital is an "underwriter" within the meaning of the Securities Act of 1933, as amended (the "Securities Act"). The Company is paying all of the registration expenses incurred in connection with the registration of the shares. We will not pay any of the selling commissions, brokerage fees and related expenses.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 3 to read about factors you should consider before investing in shares of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2014.

You should rely only on the information contained in this prospectus. We have not authorized any other person to provide you with information different from or in addition to that contained in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

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In this prospectus, we rely on and refer to information and statistics regarding our industry. We obtained this statistical, market and other industry data and forecasts from publicly available information. While we believe that the statistical data, market data and other industry data and forecasts are reliable, we have not independently verified the data.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This prospectus contains forward looking statements that involve risks and uncertainties. All statements other than statements of historical fact contained in this prospectus, including statements regarding future events, our future financial performance, business strategy, and plans and objectives of management for future operations, are forward-looking statements. We have attempted to identify forward-looking statements by terminology including "anticipates," "believes," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "should," or "will" or the negative of these terms or other comparable terminology. Although we do not make forward looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under "Risk Factors" or elsewhere in this prospectus, which may cause our or our industry's actual results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Moreover, we operate in a highly regulated, very competitive, and rapidly changing environment. New risks emerge from time to time and it is not possible for us to predict all risk factors, nor can we address the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual results to differ materially from those contained in any forward-looking statements.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short term and long term business operations, and financial needs. These forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this prospectus, and in particular, the risks discussed below and under the heading "Risk Factors" and those discussed in other documents we file with the SEC. The following discussion should be read in conjunction with the consolidated financial statements for the fiscal years ended October 31, 2013 and 2012 and notes incorporated by reference therein. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statement.

You should not place undue reliance on any forward-looking statement, each of which applies only as of the date of this prospectus. You should be aware that the occurrence of the events described in the section entitled "Risk Factors" and elsewhere in this prospectus could negatively affect our business, operating results, financial condition and stock price. Except as required by law, we undertake no obligation to update or revise publicly any of the forward-looking statements after the date of this prospectus to conform our statements to actual results or changed expectations.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all the information that you should consider before investing in the common stock. You should carefully read the entire prospectus. In particular, attention should be directed to our "Risk Factors," "Information With Respect to the Company," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes thereto contained herein before making an investment decision.

Unless otherwise indicated, all references in this prospectus to "dollars" or "$" refer to US dollars.

Business Overview

Our principal operations include the development, acquisition, licensing, and enforcement of patented technologies that are either owned or controlled by the Company or one of our wholly-owned subsidiaries. The Company currently owns or controls 9 patent portfolios. As part of our patent assertion activities and in the ordinary course of our business, the Company, and our wholly-owned subsidiaries, have initiated and will likely continue to initiate patent infringement lawsuits, and engage in patent infringement litigation. Since implementing our new business model in January 2013, the Company has initiated 47 lawsuits in connection with 8 of our patent portfolios. Our primary source of revenue will come from licenses resulting from the unauthorized use of our patented technologies, including the settlement of patent infringement lawsuits. In the calendar year eneded 2013, we entered into 4 revenue producing licenses from 2 of our patent portfolios. Since January 2014, we have entered into 28 license and/or settlement agreements from our patent portfolios. In addition to continuing to mine and monetize our existing patents, our wholly-owned subsidiary, ITUS Patent Acquisition Corporation ("IPAC"), will continue to acquire patents and the exclusive rights to license and enforce patents from third parties.

We were incorporated on November 5, 1982 under the laws of the State of Delaware. From inception through end of fiscal year 2012, our primary operations involved licensing in connection with the development of patented technologies. Since that date, our primary operations include the development, acquisition, licensing, and enforcement of patented technologies that are either owned or controlled by the Company or one of our wholly-owned subsidiaries.

Transactions with Selling Stockholder

On November 11, 2013, we entered into a subscription agreement with Adaptive Capital, an institutional investor, pursuant to which we issued a 6% convertible debenture with a principal amount of $3,500,000 and a Warrant to purchase 9,249,472 shares of common stock (the "Warrant Shares"). The shares of common stock underlying the Debenture and the Warrant Shares were subsequently registered by us pursuant to a Registration Statement on Form S-3 (No. 333-193826) which was declared effective on May 8, 2014. On September 9, 2014, we entered into a debt conversion agreement (the "Debt Conversion Agreement") with Adaptive Capital pursuant to which we converted the Debenture issued in the November Private Placement into shares of our common stock and Series A Preferred Stock. Specifically, in consideration for the conversion of the outstanding principal and all accrued but unpaid interest on the Debenture, we issued to Adaptive Capital 18,498,943 shares of our common stock (the "Conversion Shares"), of which Adaptive Capital agreed to exchange 15,978,943 Conversion Shares into 3,500 shares of our Series A Preferred Stock. In addition, we agreed to amend the terms of the Warrant issued in the November Private Placement to decrease the exercise price from $0.3784 to $0.31. The 3,500 shares of Series A Preferred Stock are convertible into up to 18,498,943 shares of our common stock. The conversion of the Series A Preferred Stock and the exercise of the Warrant are subject to certain beneficial ownership limitations. For further information regarding the transactions with this selling stockholder, see "Selling Stockholder."

Where You Can Find Us

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 http://www.ituscorp.com. The information on our website is not a part of, or incorporated in, this prospectus.

The Offering

Common stock outstanding:	219,712,190 shares as of the date of this prospectus
Common stock offered by selling stockholders:	30,268,415 shares
Common stock outstanding after the offering:	249,980,605 shares
Use of Proceeds:	We will not receive any proceeds from the sale of the common stock by the selling stockholder. We would, however, receive proceeds upon the exercise of the Warrant held by the selling stockholder which, if such Warrant is exercised in full for cash, would be approximately $2,867,336. Proceeds, if any, received from the exercise of such Warrant will be used for general corporate purposes and working capital or for other purposes that our Board of Directors, in their good faith, deem to be in the best interest of the Company. No assurances can be given that any of such warrant will be exercised.
Quotation of common stock:	Our common stock is listed for quotation on the OTCQB market under the symbol “ITUS.”
Dividend policy:	We currently intend to retain any future earnings to fund the development and growth of our business. Therefore, we do not currently anticipate paying cash dividends on our common stock.
Risk Factors:	An investment in our company is highly speculative and involves a significant degree of risk. See “Risk Factors” and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this prospectus, before making an investment decision with regard to our securities. The statements contained in this prospectus that are not historic facts are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by forward-looking statements. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

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 July 31, 2014, our accumulated deficit was approximately $141,616,000. As of July 31, 2014, we had approximately $3,652,000 in cash and cash equivalents, and negative working capital of approximately $1,921,000. We incurred losses of approximately $10,080,000 in fiscal 2013 and approximately $6,453,000 for the nine months ended July 31, 2014. We expect to continue incurring significant legal and general and administrative expenses in connection with our operations. As a result, we anticipate that we will incur losses in the future.

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

Based on currently available information, we believe that our existing cash and cash equivalents and short-term investments together with expected cash flows from patent licensing and enforcement, the potential sales of our common stock under that certain Stock Purchase Agreement, dated April 23, 2013 (the "Stock Purchase Agreement"), with Aspire Capital Fund LLC ("Aspire Capital") and other potential sources of cash flow will be sufficient to enable us to continue our patent licensing and enforcement activities at current levels 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 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 stockholders. 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. We can also give no assurance that we will have sufficient funds to repay our outstanding indebtedness. 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.

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 will suffer.

Our consolidated cash, cash equivalents and short-term investments on hand totaled approximately $898,000 and $6,202,000 at October 31, 2013 and July 31, 2014, respectively. To date, we have relied primarily upon cash from the public and private sale of equity and debt securities to generate the working capital needed to finance our operations.

Although we received aggregate gross proceeds of $4,000,000 from the registered direct offering that closed on July15, 2014(the "Registered Direct Offering"), we may need substantial additional capital to continue to operate our business.

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. Other than as disclosed in this prospectus, we have not identified other sources for additional funding and cannot be certain that additional funding will be available on acceptable terms, or at all. 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. Furthermore, such lack of funds may inhibit our ability to respond to competitive pressures or unanticipated capital needs, or may force us to reduce operating expenses, which would significantly harm the business and development of operations.

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 change in business strategy and potential growth is expected to place a strain on managerial, operational and financial resources and systems. Further, as our business grows, we will be required to manage multiple relationships as well as multiple patent enforcement cases. Any growth by us, or an increase in the number of our strategic relationships or litigation, 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.

Risks Related to Patent Monetization and Patent Assertion Activities

We may not be able to monetize our patent portfolios which may have an adverse impact on our future operations.

The primary operations of the Company are patent monetization and patent assertion. We expect to generate revenues and related cash flows from the licensing and enforcement of patents that we currently own and from the rights to license and enforce additional patents we have obtained, and may obtain in the future, 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.

Certain of our patent portfolios are subject to existing license agreements with AUO 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 certain rights to our ePaper® Electrophoretic Display patents and Nano Field Emission Display patents were licensed to AUO. 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. We intend to take the steps necessary to seek to remove any encumbrances that may inhibit our patent licensing and enforcement efforts in connection with the ePaper® Electrophoretic Display patents, however, we can give no assurance that the 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 assert the ePaper® Electrophoretic Display patents against potential infringers, and otherwise monetize the Nano Field Emission Display patents. See the section entitled “Legal Proceedings” for additional information.

While we recently commenced lawsuits against AUO and E Ink, and currently have pending seven patent infringement lawsuits brought by us or a subsidiary against various entities, it expects such proceedings to be time-consuming and costly and we may not be successful in obtaining judgments in our favor which may adversely affect our financial condition and our ability to operate our business.

On January 28, 2013, we filed the AUO/E Ink lawsuit and currently we have seven separate patent infringement lawsuits pending which were brought by us or a subsidiary against various entities. Such patent infringement litigation may continue for several years and may require significant expenditures for legal fees and other expenses. Disputes regarding the assertion of patents and other intellectual property rights are highly complex and technical. The defendants or other third parties involved in the lawsuits may have substantially more resources than we do. Furthermore, such parties may allege defenses and/or file counterclaims in an effort to avoid or limit liability and damages for patent infringement. If such defenses or counterclaims are successful, they may preclude our ability to derive licensing revenue from the patent portfolios. A negative outcome of any such litigation, or one or more claims contained within any such litigation, could materially and adversely impact our business. Additionally, we anticipate that legal fees and other expenses will be significant. Expenses are also dependent on the outcome of such proceedings. 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, may come from a small number of licensees, and may harm our financial condition and the market price of our stock.

In our nine months ended July 31, 2014, our revenue was derived from five licenses, and a substantial portion of our revenue was derived from two licensees. It is likely that going forward, a substantial portion of our revenue in each reporting period may come from a small number of licensees, and that one licensee may account for a substantial portion of our revenue. As a result, our revenues may be unpredictable and may vary from period to period.

If we are unable to retain top legal counsel to represent us in patent enforcement litigation, it may adversely affect our business.

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

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.

In connection with patent enforcement actions conducted by certain of our subsidiaries, a court may rule unfavorably in counterclaims filed against us or that we have violated certain statutory, regulatory, federal, local or governing rules or standards, which may expose us and our operating subsidiaries to certain material liabilities.

In connection with any of our patent enforcement actions, it is possible that a defendant may file counterclaims against us 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 our operating subsidiaries or award attorney's fees and/or expenses to a defendant(s), which could be material, and if we or our operating subsidiaries are required to pay such monetary sanctions, attorneys' fees and/or expenses, such payment could materially harm our operating results and our financial position.

New legislation, regulations, rules and case-law 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 United States 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, new standards or limitations on liability for patent infringement could negatively impact our revenue derived from such enforcement actions, and potential new rules requiring that the losing party pay legal fees of the prevailing party could also significantly increase the cost of our enforcement actions.

United States patent laws were recently amended with the enactment of the Leahy-Smith America Invents Act, or the America Invents Act, which took effect on March 16, 2013. The America Invents Act includes a number of significant changes to U.S. patent law. In general, the legislation attempts to address issues surrounding the enforceability of patents and the increase in patent litigation by, among other things, establishing new procedures for patent litigation. For example, the America Invents Act changes the way that parties may be joined in patent infringement actions, increasing the likelihood that such actions will need to be brought against individual parties allegedly infringing by their respective individual actions or activities. The America Invents Act and its implementation increases the uncertainties and costs surrounding the enforcement of our patented technologies, which could have a material adverse effect on our business and financial condition.

In addition, the U.S. Department of Justice ("DOJ") has conducted reviews of the patent system to evaluate the impact of patent assertion entities on industries in which those patents relate. It is possible that the findings and recommendations of the DOJ could impact the ability to effectively license and enforce standards-essential patents and could increase the uncertainties and costs surrounding the enforcement of any such patented technologies.

Further, in various pending litigation and appeals in the United States Federal courts, various arguments and legal theories are being advanced to potentially limit the scope of damages a patent licensing company such as the Company might be entitled to. Any one of these pending cases could result in new legal doctrines that could make our existing or future patent portfolios less valuable or more costly to enforce.

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, if any, 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.

Our patented technologies have an 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.

Weak global economic conditions may cause infringing parties to delay entering into licensing agreements, which could adversely affect our financial condition and operating results.

Our business plan depends significantly on economic conditions, and the United States and world economies are only beginning to emerge from weak economic conditions. Uncertainty about global economic conditions poses a risk as businesses may postpone spending in response to tighter credit, negative financial news and declines in income or asset values. This response could have a material negative effect on the willingness of parties infringing on our patent assets to enter into licensing or other revenue generating agreements voluntarily which could cause material harm to our business.

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. While we maintain "key person" life insurance on Mr. Berman, we do not maintain such "key person" life insurance on Messrs. 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 of patents and/or companies. 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.

Any actual or anticipated sales of shares by our stockholders or by Aspire Capital may cause the trading price of our common stock to decline. Additional issuances of shares to Aspire Capital may result in dilution to the interests of other holders of our common stock. The sale of a substantial number of shares of our common stock by our stockholders including Aspire Capital, or anticipation of such sales, could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise wish to effect sales.

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 General Corporation Law ("DGCL") and our certificate of incorporation, as amended (the "Certificate of Incorporation") and by-laws ("By-Laws") 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 DGCL, 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 By-Laws 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 By-Laws.

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;

- 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; and

- the outcome of any of our patent infringement lawsuits.

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
- the timing of or our failure to complete significant transactions.

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 SEC's penny stock rules which may make our shares more difficult to sell.

Our common stock fits the definition of a penny stock and therefore is subject to the rules adopted by the SEC regulating broker-dealer practices in connection with transactions in penny stocks. The SEC rules may have the effect of reducing trading activity in our common stock making it more difficult for investors to sell their shares. The SEC'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 SEC, including, but not limited to, the nature and level of risks in the penny stock market. The broker or dealer must also disclose the aggregate amount of any compensation received or receivable by him in connection with such transaction prior to consummating the transaction. In addition, the SEC'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 SEC'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 which may adversely impact the market price of our 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 private placements and registered direct offering 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 February 2011, January 2013 and November 2013 and our registered direct offering in July 2014, we have outstanding shares of preferred stock (following the conversion of the Debenture issued in November 2013) and warrants which are convertible into or exercisable for an aggregate of 25,623,281 shares of our common stock, at prices ranging from $0.1786 to $0.40 per share. 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 of 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.

We are registering in this Registration Statement an aggregate of 27,748,415 shares of common stock that may be issued upon exercise of Warrants and conversion of the Series A Preferred Stock. The sale of such shares could depress the market price of our common stock.

We are registering an aggregate of 27,748,415 shares of common stock underlying a warrant and shares of Series A Preferred Stock pursuant to our registration obligations contained in the Warrant and Debt Conversion Agreement. Notwithstanding ownership limitations in the Warrant and in the Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock (the "Certificate of Designations"), the 27,748,415 shares represent approximately 12.63% of our shares of common stock outstanding assuming the conversion of the Series A Preferred Stock and exercise rights Warrant issued in our November Private Placement at the time the registration statement is filed.

The sale of our common stock to Aspire Capital may cause substantial dilution to our existing stockholders and the sale, actual or anticipated, of the shares of common stock acquired by Aspire Capital could cause the price of our common stock to decline.

We have the right to sell up to $10 million of our shares of common stock to Aspire Capital, including the 5,380,000 shares sold to Aspire Capital since April 23, 2013, and have issued 3,500,000 shares to Aspire Capital as a commitment fee. We were obligated to register these shares with the SEC. The registration statement declared effective by the SEC on June 19, 2013 (post-effective amendment no. 1 of the registration statement updating the registration statement was declared effective on February 5, 2014) registers 20,000,000 shares for issuance and sale to Aspire Capital under the Purchase Agreement. It is anticipated that these shares will be sold by Aspire Capital pursuant to a registration statement or sold in reliance on an exemption from registration in Rule 144 of the Securities Act.

Any actual or anticipated sales of shares by Aspire Capital may cause the trading price of our common stock to decline. Additional issuances of shares to Aspire Capital may result in dilution to the interests of other holders of our common stock. However, we have the right to control the timing and amount of sales of our shares to Aspire Capital, and the purchase agreement may be terminated by us at any time at our discretion without any penalty or cost to us.

We may not have access to the full amount available under the Stock Purchase Agreement with Aspire Capital.

In order for us to receive the full $10 million proceeds under the Stock Purchase Agreement it is unlikely that the 20,000,000 shares registered will be sufficient. Accordingly, our ability to have access to the full amount under the Stock Purchase Agreement with Aspire Capital will likely be subject to our ability to prepare and file one or more additional registration statements registering the resale of additional shares. These subsequent registration statements may be subject to review and comment by the staff of the SEC, and will require the consent of our independent registered public accounting firm. Therefore, the timing of effectiveness of these subsequent registration statements cannot be assured. The effectiveness of these subsequent registration statements is a condition precedent to our ability to sell the shares of common stock subject to these subsequent registration statements to Aspire Capital under the Stock Purchase Agreement.

Raising funds by issuing equity or debt securities could dilute the value of the common stock and impose restrictions on our working capital.

If we were to raise additional capital by issuing equity securities, including sales of shares of common stock to Aspire Capital, the value of the then outstanding common stock would be reduced, unless the additional equity securities were issued at a price equal to or greater than the market value of the common stock at the time of issuance of the new securities. If the additional equity securities were issued at a per share price less than the per share value of the outstanding shares, then all of the outstanding shares would suffer a dilution in value with the issuance of such additional shares. Further, the issuance of debt securities in order to obtain additional funds may impose restrictions on our operations and may impair our working capital as we service any such debt obligations.

USE OF PROCEEDS

We will not receive any proceeds from the sale of shares by the selling stockholder. However, we may receive proceeds from the sale of securities upon the exercise of the Warrants issued in the November Private Placement (to the extent the registration statement of which this prospectus is a part is then effective and, if applicable, the "cashless exercise" provision is not utilized by the holder). As of the date of this prospectus, we have not received proceeds from such exercises.

Any net proceeds we receive will be used for general corporate and working capital or other purposes that the Board of Directors deems to be in the best interest of the Company. As of the date of this prospectus, we cannot specify with certainty the particular uses for the net proceeds we may receive. Accordingly, we will retain broad discretion over the use of these proceeds, if any.

DIVIDEND POLICY

We have not declared any dividends and do not anticipate that we will declare dividends in the foreseeable future; rather, we intend to retain any future earnings for the development of the business. Payment of future cash dividends, if any, will be at the discretion of our Board of Directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs, outstanding indebtedness and plans for expansion and restrictions imposed by lenders, if any.

DETERMINATION OF OFFERING PRICE

The selling stockholders will offer common stock at the prevailing market prices or privately negotiated price.

The offering price of our common stock does not necessarily bear any relationship to our book value, assets, past operating results, financial condition or any other established criteria of value. The facts considered in determining the offering price were our financial condition and prospects, our limited operating history and the general condition of the securities market.

In addition, there is no assurance that our common stock will trade at market prices in excess of the offering price as prices for common stock in any public market will be determined in the marketplace and may be influenced by many factors, including the depth and liquidity.

SELLING STOCKHOLDER

30,268,415 shares of common stock are issuable to the selling stockholder pursuant to transactions exempt from registration under the Securities Act. All of the common stock offered by this prospectus is being offered by the selling stockholder for its own account.

On November 11, 2013, we entered into a subscription agreement with Adaptive Capital, an institutional investor, pursuant to which we issued a 6% convertible debenture with a principal amount of $3,500,000 and a Warrant to purchase 9,249,472 shares of common stock. On September 9, 2014, we entered into a Debt Conversion Agreement with Adaptive Capital pursuant to which (i) the Debenture was converted into 18,498,943 Conversion Shares, (ii) 15,978,943 of the Conversion Shares were then exchanged for 3,500 shares of Series A Preferred Stock and (iii) the terms of the Warrant were amended to reduce the exercise price of the Warrant from $0.3784 to $0.31.

The Series A Preferred Stock is convertible into shares of common stock at any time at the option of the holder (subject to certain limitations described below). Each share of Series A Preferred Stock is convertible into approximately 5,285.4 shares of common stock pursuant to the terms of the Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock (the "Certificate of Designations"). Such ratio is calculated by dividing the stated value of each share of Series A Preferred Stock which is $1,000 by $0.1892. In the event that we issue additional shares of common stock and/or any 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 in connection with a financing as described in the Certificate of Designations pursuant to which the effective net price to the Company for such securities (the "Effective Price") is less than 75% of the then conversion price, then subject to certain exceptions set forth in the Certificate of Designations, the conversion price will be reduced to the Effective Price. Upon at least 60 days prior written notice to the Company, on November 11, 2016, the selling stockholder has a one-time right to require us to redeem all or some of its shares of Series A Preferred Stock for cash that is specifically generated from the sale of our equity securities. The redemption price per share is equal to the "stated value." After November 11, 2016, we have the right to convert any outstanding shares of Series A Preferred Stock into shares of common stock, subject to certain volume restrictions, if the average of the high and low trading price of the common stock for any 10 out of 20 consecutive trading days exceeds the then conversion price.

Pursuant to the Certificate of Designations, the Company will not effect any conversion of the Series A Preferred Stock if 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 Securities Exchange Act, as amended) on an as-converted basis with the Common Stock in excess of 4.99% (the "Maximum Percentage") of the number of shares of Common Stock outstanding immediately after giving effect to such conversion. A holder may increase the Maximum Percentage by providing written notice to the Company of its intention to exceed the Maximum Percentage at a time no earlier than 60 days after such notice.

In connection with the Debt Conversion Agreement, we granted Adaptive Capital registration rights with respect to the Conversion Shares and the shares issuable upon conversion of the Series A Preferred Stock. We are obligated to use our reasonable best efforts to cause a registration statement registering for resale the Conversion Shares to be filed no later than December 9, 2014 and to keep the registration statement effective until the Conversion Shares can be sold without restriction under Rule 144 of the Securities Act or such earlier date when all Conversion Shares have been sold; provided, however, we are not required to keep the Registration Statement effective after November 11, 2016.

The Warrant grants the holder the right to purchase the Warrant Shares at the purchase price per share of $0.31 on or before November 11, 2016. If there is not an effective registration statement covering the Warrant Shares, the Warrant may be exercised on a cashless basis, otherwise the warrant holder must exercise for cash. If the entire Warrant was exercised, the Company would receive approximately $2,867,000 in gross proceeds.

Pursuant to the Warrant, Adaptive Capital may not exercise its Warrant if such exercise would result in Adaptive Capital beneficially owning in excess of 4.99% of our then issued and outstanding common stock. Adaptive Capital may increase this limitation (but in no event exceed 9.99% of the number of shares of Common Stock issued and outstanding) by providing us with 61 days' notice that such holder wishes to increase this limitation.

In connection with the November Private Placement, we granted Adaptive Capital registration rights with respect to the Warrant Shares. We were obligated to use our reasonable best efforts to cause a registration statement registering for resale the Warrant Shares to be filed no later than February 9, 2014 and to keep the registration statement effective until the Warrant Shares can be sold under without restriction under Rule 144 of the Securities Act or such earlier date when all the Warrant Shares have been sold; provided, however, we are not required to keep the Registration Statement effective after November 11, 2016.

Selling Stockholder Table

The following table sets forth certain information as of December 2, 2014 regarding the selling stockholder and the shares offered by the selling stockholder in this prospectus. The table assumes the full conversion of the Series A Preferred Stock and the complete exercise of the Warrant by the selling stockholder. Except as indicated in the footnotes to the following table, the selling stockholder has sole voting and investment power with respect to the shares set forth opposite such stockholder's name. The percentage of ownership of the selling stockholder in the following table is based upon 219,712,190 shares of common stock outstanding as of December 2, 2014.

Except as set forth below, the selling stockholder has not held a position as an officer or director of the Company, nor has the selling stockholder had any material relationship of any kind with us or any of our affiliates. All information with respect to share ownership has been furnished by the selling stockholder. The common stock being offered is being registered to permit secondary trading of the shares and the selling stockholder may offer all or part of the common stock owned for resale from time to time. The selling stockholder has no family relationships with our officers, directors or controlling stockholders. The selling stockholder is not a registered broker-dealer but Adaptive Capital is an affiliate of a registered broker-dealer. Adaptive Capital was issued the Conversion Shares, Series A Preferred Stock and Warrant in the ordinary course of business and had no agreement or understandings, directly or indirectly, with any person to distribute the Conversion Shares, Series A Preferred Stock or Warrant Shares at the time of issuance.

The term "selling stockholder" also includes any transferees, pledges, donees, or other successors in interest to the selling stockholder named in the table below. To our knowledge, subject to applicable community property laws, each person named in the table has sole voting and investment power with respect to the common stock set forth opposite such person's name. We will file a supplement to this prospectus (or a post-effective amendment hereto, if necessary) to name successors to any named selling stockholder who is able to use this prospectus to resell the securities registered hereby.

Name of Selling Stockholder	Number of Shares of Common Stock Owned Prior to Offering (1)	Maximum Number of Shares of Common Stock to be Sold Pursuant to this Prospectus (1)	Number of Shares of Common Stock Owned After Offering Assuming All Shares are Sold (2)	Percentage of Common Stock Owned After Offering Assuming All Shares are Sold (2)
Adaptive Capital, LLC (3)	30,268,415	30,268,415	0	0%

(1) Consists of (i) 2,520,000 shares of common stock, (ii) 18,498,943 shares of common stock underlying 3,500 shares of Series A Preferred Stock and (iii) 9,249,472 shares of common stock issued or issuable upon exercise of a Warrant.

(2) Assumes the sale of all shares offered pursuant to this prospectus.

(3) Tahoe Pacific Corp. exercises the voting and investment control for Adaptive Capital pursuant to an asset management agreement. James Brown, the President of Tahoe Pacific Corp., exercises voting and investment control for Tahoe Pacific Corp.

PLAN OF DISTRIBUTION

The common stock may be sold or distributed from time to time by the selling stockholder directly to one or more purchasers or through brokers, dealers, or underwriters who may act solely as agents at market prices prevailing at the time of sale, at prices related to the prevailing market prices, at negotiated prices, or at fixed prices, which may be changed on any stock exchange, market or trading facility on which the shares are traded or in private transactions. The sale of the common stock offered by this prospectus may be effected in one or more of the following methods:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- transactions involving cross or block trades;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- in privately negotiated transactions;
- short sales after the registration statement, of which this prospectus forms a part, becomes effective;
- broker-dealers may agree with the selling stockholder to sell a specified number of such shares at a stipulated price per share;
- “at the market” into an existing market for the common stock;
- through the writing of options on the shares;
- a combination of any such methods of sale; and
- any other method permitted pursuant to applicable law.

In order to comply with the securities laws of certain states, if applicable, the shares may be sold only through registered or licensed brokers or dealers. In addition, in certain states, the shares may not be sold unless they have been registered or qualified for sale in the state or an exemption from the registration or qualification requirement is available and complied with.

Adaptive Capital may also sell shares of common stock under Rule 144 promulgated under the Securities Act, if available, rather than under this prospectus. In addition, Adaptive Capital may transfer the shares of common stock by other means not described in this prospectus.

The selling stockholder may also sell the shares directly to market makers acting as principals and/or broker-dealers acting as agents for themselves or their customers. Such broker-dealers may receive compensation in the form of discounts, concessions or commissions from the selling stockholder and/or the purchasers of shares for whom such broker-dealers may act as agents or to whom they sell as principal or both, which compensation as to a particular broker-dealer might be in excess of customary commissions. Market makers and block purchasers purchasing the shares will do so for their own account and at their own risk. It is possible that the selling stockholder will attempt to sell shares of common stock in block transactions to market makers or other purchasers at a price per share which may be below the then market price. The selling stockholder cannot assure that all or any of the shares offered in this prospectus will be issued to, or sold by, such selling stockholder.

Brokers, dealers, underwriters, or agents participating in the distribution of the shares as agents may receive compensation in the form of commissions, discounts, or concessions from the selling stockholder and/or purchasers of the common stock for whom the broker-dealers may act as agent. Adaptive Capital has informed us that each such broker-dealer will receive commissions from Adaptive Capital which will not exceed customary brokerage commissions. The selling stockholder may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares if liabilities are imposed on that person under the Securities Act.

The selling stockholder acquired the securities offered hereby in the ordinary course of business and has advised us that it has not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their shares of common stock, nor is there an underwriter or coordinating broker acting in connection with a proposed sale of shares of common stock by such selling stockholder. If we are notified by the selling stockholder that any material arrangement has been entered into with a broker-dealer for the sale of shares of common stock, if required, we will file a supplement to this prospectus.

With regard only to the shares it sells for its own behalf, Adaptive Capital may be deemed an “underwriter” within the meaning of the Securities Act. This offering as it relates to Adaptive Capital will terminate on the date that all shares issued to and issuable to Adaptive Capital that are offered by this prospectus have been sold by Adaptive Capital.

We may suspend the sale of shares by the selling stockholder pursuant to this prospectus for certain periods of time for certain reasons, including if the prospectus is required to be supplemented or amended to include additional material information.

If the selling stockholder uses this prospectus for any sale of the shares of common stock, such selling stockholder will be subject to the prospectus delivery requirements of the Securities Act.

Regulation M

The anti-manipulation rules of Regulation M under the Exchange Act of 1934, as amended (the “Exchange Act”) may apply to sales of our common stock and activities of the selling stockholder.

We have advised the selling stockholder that while it is engaged in a distribution of the shares included in this prospectus it is required to comply with Regulation M promulgated under the Exchange Act. With certain exceptions, Regulation M precludes the selling stockholder, any affiliated purchasers, and any broker-dealer or other person who participates in the distribution from bidding for or purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of the distribution until the entire distribution is complete. Regulation M also prohibits any bids or purchases made in order to stabilize the price of a security in connection with the distribution of that security. All of the foregoing may affect the marketability of the shares offered hereby this prospectus.

DESCRIPTION OF SECURITIES TO BE REGISTERED

Capital Stock

Our authorized share capital consists of 600,000,000 shares of common stock, $0.01 par value per share, of which 219,712,190 shares of common stock is issued and outstanding as of December 2, 2014 and 500,000 shares of preferred stock, $0.01 par value per share, of which 3,500 shares have been designated as Series A Convertible Preferred Stock, all of which are issued and outstanding as of December 2, 2014. We are a Delaware corporation and our affairs are governed by our Certificate of Incorporation and By-laws. The following are summaries of material provisions of our Certificate of Incorporation and By-laws insofar as they relate to the material terms of our common shares. Complete copies of our Certificate of Incorporation and By-laws are filed as exhibits to our public filings.

Common Stock

Our common stock is quoted on the OTCQB under the symbol “ITUS”.

All outstanding shares of common stock are of the same class and have equal rights and attributes. The holders of common stock are entitled to one vote per share on all matters submitted to a vote of stockholders of the Company. All stockholders are entitled to share equally in dividends, if any, as may be declared from time to time by the Board of Directors out of funds legally available. In the event of liquidation, the holders of common stock are entitled to share ratably in all assets remaining after payment of all liabilities. The stockholders do not have cumulative or preemptive rights.

Dividend Rights

Holders of the common stock may receive dividends when, as and if declared by our Board of Directors out of the assets legally available for that purpose and subject to the preferential dividend rights of any other classes or series of stock of our Company. We have never paid, and have no plans to pay, any dividends on our shares of common stock.

Voting Rights

Holders of the common stock are entitled to one vote per share in all matters as to which holders of common stock are entitled to vote. Holders of not less than a majority of the outstanding shares of common stock entitled to vote at any meeting of stockholders constitute a quorum unless otherwise required by law.

Election of Directors

Directors hold office until the next annual meeting of stockholders and are eligible for reelection at such meeting. Directors are elected by a plurality of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. There is no cumulative voting for directors.

Liquidation

In the event of any liquidation, dissolution or winding up of the Company, holders of the common stock have the right to receive ratably and equally all of the assets remaining after payment of liabilities and liquidation preferences of any preferred stock then outstanding.

Redemption

The common stock is not redeemable or convertible and does not have any sinking fund provisions.

Preemptive Rights

Holders of the common stock do not have preemptive rights.

Other Rights

Our common stock is not liable to calls or to assessment by the registrant and for liabilities of the registrant imposed on its stockholders under state statutes.

Series A Convertible Preferred Stock

Conversion

The Series A Preferred Stock is convertible into shares of common stock at any time following issuance at the option of the holder (subject to certain limitations described below). Each share of Series A Preferred Stock is convertible into approximately 5,285.4 shares of common stock pursuant to the terms of the Certificate of Designations. Such ratio is calculated by dividing the stated value of each share of Series A Preferred Stock ($1,000) by $0.1892.

Ranking; Dividends

The Company may not, directly or indirectly, incur any indebtedness or create a new class of equity that is expressly senior in right of payment to the Series A Preferred Stock without prior written consent of at least two-thirds of the outstanding Series A Preferred Stock holders. The Series A Preferred Stock holders are not entitled to receive cash dividends. In the event that the Company declares a stock dividend or otherwise makes a distribution to the common stock holders, the terms of the Series A Preferred Stock will be adjusted proportionately so that the holder after such dividend or distribution will be entitled to receive the aggregate number and kind of shares, evidences, rights, options, warrants or securities which, the holder would have owned if the Series A Preferred Stock had been converted immediately prior to the time of the distribution.

Subsequent Equity Sales

In the event that the Company issues additional shares of common stock and/or any 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 in connection with a financing pursuant to which the effective net price to the Company for such securities (the "Effective Price") is less than 75% of the then conversion price, then subject to certain exceptions set forth in the Certificate of Designations, the conversion price will be reduced to the Effective Price.

Maximum Conversion

The Company will not effect any conversion of the Series A Preferred Stock if 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 Securities Exchange Act, as amended) on an as-converted basis with the common stock in excess of 4.99% (the "Maximum Percentage") of the number of shares of common stock outstanding immediately after giving effect to such conversion. A holder may increase the Maximum Percentage by providing written notice to the Company of its intention to exceed the Maximum Percentage at a time no earlier than 60 days after such notice.

Board and Observer Rights

For so long as any holder of Series A Preferred Stock beneficially owns at least 2,000,000 shares of Common Stock, such holder has the right to designate one representative, reasonably acceptable to the Company as a board observer, to the Company's Board of Directors. In lieu of the right to designate an observer to the Board of Directors, the holder may designate one representative, reasonably acceptable to the Company, to serve on the Board of Directors.

Redemption; Mandatory Conversion

Upon at least 60 days prior written notice to the Company, on November 11, 2016, any holder of Series A Preferred Stock has a one-time right to require the Company to redeem all or some of its shares of Series A Preferred Stock for cash that is specifically generated from the sale of the Company's equity securities. The redemption price per share is equal to the "stated value."

After November 11, 2016, the Company has the right to convert any outstanding shares of Series A Preferred Stock into shares of common stock, subject to certain volume restrictions, if the average of the high and low trading price of the common stock for any 10 out of 20 consecutive trading days exceeds the then conversion price.

Liquidation Preference

In the event of a liquidation, dissolution or winding up of the Company, then the holders of the Series A Preferred Stock are entitled to receive out of the assets of the Company legally available for distribution, prior to and in preference to distributions to the holders of common stock and either in preference to or pari pasu with the holders of any other series of preferred stock that may be issued in the future, an amount equal to the "stated value" of the Series A Preferred Stock. The remaining assets of the Company will then be distributed to the holders of the Series A Preferred Stock and the holders of the common stock on an as converted basis.

Other Provisions

This section is a summary and may not describe every aspect of the common stock and Series A Preferred Stock that may be important to you. We urge you to read applicable Delaware law, our Certificate of Incorporation, including the Certificate of Designations, and By-laws, because they, and not this description, define your rights as a holder of common stock. See "How to Get More Information" for information on how to obtain copies of these documents.

INFORMATION WITH RESPECT TO THE REGISTRANT

Description of Business

Overview

The primary operations of the Company involve the development, acquisition, licensing, and enforcement of patented technologies that are either owned or controlled by the Company. The Company currently owns or controls 9 patent portfolios. As part of our patent assertion activities and in the ordinary course of our business, the Company has initiated and will likely continue to initiate patent infringement lawsuits, and engage in patent infringement litigation. Since implementing our new business model in January 2013, the Company has initiated 47 lawsuits in connection with 8 of our patent portfolios. Our primary source of revenue will come from licenses resulting from the unauthorized use of our patented technologies, including the settlement of patent infringement lawsuits. Since January 2014, we entered into 28 revenue producing agreements. In addition to continuing to mine and monetize our existing patents, our wholly owned subsidiary, IPAC, will continue to acquire patents and the exclusive rights to license and enforce patents from third parties. In 2014, the Company acquired the rights to 1 additional patent portfolio.

Due to arrangements previously entered into by the Company, certain of our patents contain encumbrances, as described below, which may negatively impact our patent monetization and patent assertion activities. Where we are able, we will take the steps necessary to remove any encumbrances that may inhibit our patent monetization and patent assertion activities. In August 2014, the Company ended its relationship with Videocon Industries Limited ("Videocon"), terminating Videocon's license to the Company's patented Nano Field Emissions Display technology. We have obtained and will continue 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 April 2013, the Company, through its wholly owned subsidiary, IPAC, acquired the exclusive rights to license and enforce a patent portfolio relating to vinyl windows with integrated J-Channels, commonly used in modular buildings, mobile homes, and conventional, new home construction. Additionally, in April 2013 we acquired rights to license and enforce a patent portfolio relating to loyalty awards programs commonly provided by airlines, credit card companies, hotels, retailers, casinos, and others ("Loyalty Conversion Systems"). In September 2014, the United States District Court for the Eastern District of Texas invalidated two of our Loyalty Conversion Systems patents by ruling that they did not cover patentable subject matter, resulting in the dismissal of 7 of our Loyalty Conversion Systems' lawsuits. On October 18, 2014, the Company terminated its Loyalty Conversion Systems patent assertion campaign. In November 2013, IPAC acquired two patent portfolios in the rapidly expanding area of unified communications relating to (i) the multicast delivery of streaming data, media, and other content, within the confines of specialized virtual private networks, and (ii) the integration of telephonic participation in web-based audio/video conferences by creating a gateway between the internet and cellular or traditional landline telephones. In June 2014, IPAC acquired the exclusive rights to license and enforce a patent portfolio covering enhanced presentation and cross selling technologies used by some of the world's leading auction sites.

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"). The Company's business model is Patent Monetization and Patent Assertion. We currently own or control 9 patent portfolios which we have identified for patent monetization: (i) Encrypted Mobile Communication; (ii) ePaper® Electrophoretic Display; (iii) Internet Telephonic Gateway; (iv) J-Channel Window Frame Construction; (v) Key Based Web Conferencing Encryption; (vi) Micro Electro Mechanical Systems Display; (vii) Nano Field Emission Display; (viii) VPN Multicast Communications; and (ix) Enhanced Auction Technologies.

ITUS's Patent Portfolios

Encrypted Mobile Communications

The Encrypted Mobile Communications patent portfolio covers hardware and software used to encrypt cellular phone calls and other mobile communications. With the increased use of mobile devices, and the increased concerns regarding privacy and the protection of personal information, we believe the demand for secure mobile communications is increasing for both businesses and consumers.

ePaper® Electrophoretic Display

The ePaper® Electrophoretic Display patent portfolio covers core electrophoretic technology that is used in the world's most popular eReader devices such as the Nook® and the Kindle. The ePaper patents cover the underlying chemistry that is used to manufacture both the particles and the suspension, two of the key elements that are fundamental to the generation of the black and white eReader display. The Company's ePaper patents also cover the manufacturing, assembly, and physical structure of the display unit itself, as well as the electronics and internal operation of the device.

Internet Telephonic Gateway

The internet telephonic gateway patent portfolio covers the integration of telephonic participation in web-based audio/video conferences by creating a gateway between the Internet, and cellular or traditional landline telephones. The end result is that participants can join and participate in online, audio/video conferences via a cellular or conventional telephone. This internet telephonic gateway technology is commonly used for web based audio/video events with broad based audience participation such as earnings calls, webinars, and virtual town hall meetings.

J-Channel Window Frame Construction

The J-Channel Window Frame Construction patent portfolio covers vinyl windows with an integrated frame, known in the industry as a "J-Channel". Such windows are commonly used in modular buildings, mobile homes, and conventional, new home construction, resulting in easier and faster window installation.

Key Based Web Conferencing Encryption

The Key Based Web Conferencing Encryption patent portfolio covers the generation and management of encryption keys. This type of encryption technology is commonly used to encrypt web-based conferencing, email for regulatory compliance purposes, and personal information such as contracts.

Micro Electro Mechanical Systems Display

The Micro Electro Mechanical Systems Display patent portfolio covers vanadium dioxide coated pixels that electrically modulate light at extremely high speeds to form an image, as well as the 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.

Nano Field Emission Display

The Nano Field Emission Display patent portfolio covers 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 emerging technology could result in a flat panel display utilizing less power, with better picture quality and lower manufacturing costs than is currently found in the flat panel display industry.

VPN Multicast Communications

The VPN Multicast Communications patent portfolio covers the multicast, internet delivery of streaming data, media, and other content to large numbers of recipients, within the confines of specialized virtual private networks ("VPN's). Multicasting is a commonly used content delivery protocol that enables several recipients to simultaneous receive content from a single internet transmission, greatly reducing Internet bandwidth costs. When combined with specialized VPN's, the content and communications are protected from unwanted disclosure and piracy. Applications for these live, VPN multicast communications include videoconferences, online training and e-learning classes, internet television, web-based corporate events and strategy sessions, and other live transmissions of sensitive or protected content.

Enhanced Auction Technologies

The Enhanced Auction Technologies patent portfolio covers enhanced presentation and cross selling technologies used by some of the world's leading auction sites. The enhanced presentation tools covered by these patents enable auction sellers to cross sell and upsell additional items to interested buyers, resulting in incremental sales and higher yields per transaction.

Patent Monetization and Patent Assertion Activities

On January 28, 2013, the Company initiated a patent infringement lawsuit in the United States District Court for the Northern District of California against E Ink Corporation ("E Ink"), asserting U.S. Pat. Nos. 5,964,935; 6,113,810; and 6,194,488; covering the Company's ePaper® Electrophoretic Display technology, which patents expire in 2017. The Company alleges that E Ink has infringed and continues to infringe such patents in connection with the manufacture, sale, use, and importation of electrophoretic displays. On January 28, 2013, the Company also filed a separate joint lawsuit against both AU Optronics Corp. ("AUO") and E Ink, the AUO/E Ink Lawsuit (as defined below). In June of 2013, the Company and AUO agreed to arbitrate the Company's charges in the AUO/E Ink Lawsuit. The Court also ordered E Ink to participate in the arbitration, for purposes of discovery. Because issues in the AUO/E Ink arbitration need to be resolved before the patent infringement case can proceed against E Ink, the Court dismissed the patent infringement case, without prejudice, meaning that the Company can re-file the patent infringement lawsuit, if necessary, following the arbitration. On November 21, 2014, the Company concluded a two week arbitration against AUO in connection with its ePaper Electrophoretic Display and Nano Field Emission display technologies. The arbitration panel requested post trial briefs which are due on January 15, 2015 and February 5, 2015, and a decision from the arbitration is pending.

On May 6, 2014, the Company's wholly owned subsidiary, Encrypted Cellular Communications Corporation, filed a patent infringement lawsuit against AT&T in connection with its patented Encrypted Cellular Communications technology. The lawsuit was filed in the United States District Court for the Northern District of Texas, Dallas Division.

On September 3, 2014, the United States District Court for the Eastern District of Texas invalidated two of our Loyalty Conversion Systems patents by ruling that they did not cover patentable subject matter, resulting in the dismissal of 7 of our Loyalty Conversion Systems' lawsuits. On October 18, 2014, the Company terminated its Loyalty Conversion Systems patent assertion campaign.

On September 8, 2014, the Company's wholly owned subsidiary, Auction Acceleration Corporation, filed patent infringement lawsuits against Ebay, Vendio, and Auctiva, in connection with its Enhanced Auction Technologies patents. Vendio and Auctiva are part of Alibaba Group, one of the largest online and mobile commerce companies in the world. The patents cover presentation and cross selling technologies enabling auction sellers to cross-sell and upsell additional items to interested buyers, resulting in incremental sales, and higher yields per transaction. The lawsuits were filed in the United States District Court for the Northern District of California.

On September 18, 2014, the Company's wholly owned subsidiary, Secure Web Conference Corporation, filed a patent infringement lawsuit in the U.S. District Court for the Eastern District of New York against Apple Inc., in connection with its patented Key Based Web Conferencing Encryption technology. Apple's FaceTime video service debuted in 2010, and has been available via hundreds of millions of devices including iPhones (since the fourth generation iPhone), iPads (since the iPad 2), iPod Touches (since the fourth generation iPod), and all Macintosh desktop and laptop computers running OSX or later. The Company has already licensed the encryption patents to Logitech in connection with its LifeSize web conferencing service, and has a patent infringement lawsuit pending against Microsoft Corporation in connection with the SKYPE and Lync web conferencing services. A claims construction, or Markman hearing, in the Microsoft lawsuit convened on September 23, 2014.

On October 2, 2014, the US District Court for the Eastern District of New York the provided a claims construction ruling in Secure Web Conference Corporation's Key Based Web Conferencing Encryption technology patent infringement lawsuit against Microsoft Corporation that was unfavorable to Secure Web Conference Corporation. Secure Web Conference Corporation is evaluating its options for appeal to the Federal Circuit, and in the interim, will suspend lawsuits against Apple and Citrix, as well as Encrypted Cellular Communications Corporation patent infringement lawsuit against AT&T, which also rely on the language construed by the Court.

On November 4, 2014, the Company's wholly owned subsidiary, VPN Multicast Technologies, LLC, filed patent infringement lawsuits against AT&T, and Dimension Data LLC, in connection with its patented VPN Multicast Communications technology. The lawsuits were filed in the U.S. District Court for the Eastern District of Texas. The complaints allege infringement of United States Patent Number 8,477,778 entitled "Applying Multicast Protocols and VPN Tunneling Techniques to Achieve High Quality of Service for Real Time Media Transport Across IP Networks."

The Company has engaged in and will continue to engage in patent infringement lawsuits in the ordinary course of its business operations. All litigation involves a significant degree of uncertainty, and we give no assurances as to the outcome or duration of any lawsuit.

Licensing Activity

During 2014, the Company has entered into 28 license and/or settlement agreements. We entered into license agreements with HWD Acquisition, Inc. in February 2014, PGT Industries, Inc. and MI Windows and Doors, Inc. in March 2014, YKK AP America Inc. in April 2014, Jeld-Wen, Inc., Atrium Windows and Doors, Inc., Pella Corporation, Ply Gem Industries, Inc., Simonton Building Products, Inc. and Quaker Window Products Co. Inc. in September 2014 and Silver Line Building Products LLC, American Builders & Contractors Supply Co., Inc., Deceuninck North America, LLC, VEKA, Inc., L.B. Plastics, Inc., Chelsea Building Products, Inc, Moss Supply Company, Vinylmax, LLC, Wincore Window Company, LLC, Associated Materials, LLC, Comfort View Products, LLC, Croft, LLC, Magnolia Windows & Doors, LLC, MGM Industries, Inc., Sun Windows, Inc., and West Window Corporation in October 2014, and Weather Shield Mfg., Inc.in November 2014, all in connection with our patented J-Channel Window Frame Construction technology. In April 2014, we entered into a license agreement with Logitech, Inc. in connection with our Key Based Web Conferencing Encryption technology. All of the aforementioned license agreements were entered into in connection with the settlement of patent infringement lawsuits, which lawsuits have been dismissed.

Agreements Relating to Previous Business Operations

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 ePaper® Electrophoretic Display patents and technology, in connection with AUO jointly developing products with the Company. Under the Nano Display License Agreement, we provided AUO with a non-exclusive, non-transferable, worldwide license of our Nano Field Emission Display patents and technology, in connection with AUO jointly developing products with the Company.

On January 28, 2013, we terminated 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"). In June of 2013, the Company and AUO agreed to arbitrate the Company's charges, which we believe should result in a faster and more efficient adjudication. On November 21, 2014, the Company concluded a two week arbitration against AUO in connection with its ePaper Electrophoretic Display and Nano Field Emission display technologies. The arbitration panel requested post trial briefs which are due on January 15, 2015 and February 5, 2015, and a decision from the arbitration is pending.

For more details on the AUO/E Ink Lawsuit, please see "Legal Proceedings" below.

Videocon Industries Limited

On August 29, 2014, the Company ended its relationship with Videocon Industries Limited, terminating Videocon's license to the Company's patented Nano Field Emission Display technology.

Competition

The Company expects to encounter competition in the areas of patent acquisitions for the sake of 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, Intellectual Ventures, Wi-LAN, MOSAID, Round Rock Research LLC, IPvalue Management Inc., Vringo Inc., Pendrell Corporation, 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 $-0-. $-0- and approximately $2,212,000 for the fiscal years ended October 31, 2014, 2013 and 2012, 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 October 31, 2014, we had nine full-time employees.

Other

On September 2, 2014, the Company changed its name from CopyTele, Inc. to ITUS Corporation. The name change was approved by the Company's Board of Directors on May 28, 2014 and was subsequently approved by the Company's stockholders at the Annual Meeting of Stockholders on August 8, 2014.

On October 11, 2013, 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 300 million to 600 million.

We were incorporated on November 5, 1982 under the laws of the State of Delaware. From inception through end of fiscal year 2012, our primary operations involved licensing in connection with the development of patented technologies. Since that date, our primary operations include the development, acquisition, licensing, and enforcement of patented technologies that are either owned or controlled by the Company or one of our wholly owned subsidiaries. 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.ITUScorp.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 as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the Securities and Exchange Commission (the "SEC"). 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.

Description of Properties

We lease approximately 3,500 square feet of office facilities at 900 Walt Whitman Road, Melville, New York (our principal executive offices) from an unrelated party pursuant to a lease that expires January 31, 2015. Our base rent is approximately $7,000 per month and the lease provides an escalation clause for increases in certain operating costs. We also lease approximately 3,000 square feet of office space at 12100 Wilshire Boulevard, Los Angeles, California from an unrelated party pursuant to a lease that expires March 30, 2016. Our base rent is approximately $8,500 per month and the lease provides an escalation clause for increases in certain operating costs.

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, and other charges, and we are seeking compensatory, punitive, and treble damages. On November 21, 2014, the Company concluded a two week arbitration against AUO in connection with its ePaper Electrophoretic Display and Nano Field Emission display technologies. The arbitration panel requested post trial briefs which are due on January 15, 2015 and February 5, 2015, and a decision from the arbitration is pending.

Other than the foregoing and the suits we bring to enforce our patent rights, which are an integral part of our business plan, we are not a party to any material pending legal proceedings other than that which 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.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is listed on the OTCQB market under the symbol "ITUS". The high and low sales prices as reported by the OTCQB for each quarterly fiscal period during our fiscal years ended October 31, 2014 and 2013 have been as follows:

	Price Range	
Period	**High**	**Low**
Fiscal Year Ended October 31, 2013:		
First Quarter	$ 0.31	$ 0.11
Second Quarter	$ 0.28	$ 0.18
Third Quarter	$ 0.40	$ 0.20
Fourth Quarter	$ 0.23	$ 0.18
Fiscal Year Ended October 31, 2014:		
First Quarter	$ 0.48	$ 0.16
Second Quarter	$ 0.40	$ 0.21
Third Quarter	$ 0.40	$ 0.22
Fourth Quarter	$ 0.27	$ 0.13

As of December 2, 2014, we had approximately 1,077 stockholders of record of our common stock and the closing price of our common stock was $0.15 per share.

Securities Authorized for Issuance Under Equity Compensation Plans

See "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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

General

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 which begin below on page F-1.

Results of Operations

Nine months ended July 31, 2014 compared to the nine months ended July 31, 2013

Revenue from Patent Assertion Activities

For the nine months ended July 31, 2014, we recorded revenue from patent assertion activities of $1,105,000, from 5 license agreements issued from our Key Based Web Conferencing Encryption and J-Channel Window Frame Construction patent portfolios. The license agreements provided for one-time, non-recurring, lump sum payments in exchange for a non-exclusive retroactive and future license, or covenant not to sue. Accordingly, the earning process from these licenses was complete and 100% of the revenue was recognized upon execution of the license agreements. There was no revenue from patent assertion activities in the nine months ended July 31, 2013.

As of July 31,2014. the Company owns or controls 10 patent portfolios. Since implementing our new business model in January of 2013, the Company has entered into a total of 14 revenue producing license and/or settlement agreements, and 3 of our 7 patent assertion campaigns have generated revenue. As of July 31,2014. the Company has 27 pending lawsuits in connection with its patented technologies. Our primary source of revenue will come from licenses resulting from the unauthorized use of our patented technologies, including the settlement of patent infringement lawsuits.

Display Technology Development and License Fees

Based on our assessment as of July 31, 2014, we have determined that we have no further performance obligations under the AUO License Agreements and accordingly during the nine months ended July 31, 2014, we have recognized display technology development and license fee revenue of approximately $1,187,000, representing the balance of the initial $3 million payment received from AUO in fiscal year 2011. We did not record any display technology development and license fees during the nine months ended July 31, 2013.

Inventor Royalties and Contingent Legal Fees

Inventor royalties and contingent legal fees of approximately $465,000 during the nine months ended July 31, 2014 are attributable to our patent assertion activities initiated during fiscal 2013, and are expensed in the period that the related revenues are recognized. Inventor royalties and contingent legal fees, as a percentage of revenue from patent assertion activities, will vary between fiscal periods since the economic terms of patent agreements and contingent legal fee arrangements vary across the patent portfolios owned or controlled by our operating subsidiaries. We did not incur any inventor royalties or contingent legal fees during the nine months ended July 31, 2013, as we recognized no patent assertion revenues during this period.

Litigation and Licensing Expenses

Litigation and licensing expenses increased by approximately $245,000 to approximately $267,000 in the nine months ended July 31, 2014, from approximately $22,000 in the comparable prior year period. Litigation and licensing expenses other than contingent legal fees, which are attributable to our patent assertion activities initiated during fiscal 2013 and the AUO/E Ink Lawsuit, are expensed in the period incurred.

Amortization of Patents

Amortization of patents of approximately $233,000 in the nine months ended July 31, 2014 is related to patent portfolios acquired in the first quarter of fiscal 2014. We capitalize patent and patent rights acquisition costs and amortize the cost over the estimated economic useful life. We did not incur any patent amortization expense during the nine months ended July 31, 2013.

Marketing, General and Administrative Expenses

Marketing, general and administrative expenses decreased by approximately $1,313,000 to approximately $4,807,000 in the nine months ended July 31, 2014, from approximately $6,120,000 in the comparable prior-year period. The decrease in marketing, general and administrative expenses was principally due to a decrease in legal and accounting fees of approximately $614,000, a decrease in rent expense of approximately $246,000, a decrease in shareholder relations expense of approximately $285,000, and a decrease in stock option expense for employees of approximately $556,000, which were partially offset by an increase in employee compensation and related costs, excluding stock option expense, of approximately $240,000, which was primarily attributable to employee bonuses, a bonus paid to the Company's strategic advisor and a director of the Company of $100,000 and an increase in stock option expense for this strategic advisor and director of the Company of approximately $210,000.

Legal and accounting fees in 2013 included nonrecurring costs related to the Company's restructuring, which commenced in the fourth quarter of the fiscal year 2012.

The decrease in rent expenses reflects the reduction in facilities requirements as a result of the Company's restructuring. Marketing, general and administrative expense for the nine months ended July 31, 2014 and 2013 includes approximately $2,347,000 and $2,693,000, respectively, of non-cash stock option compensation expense.

Change in Value of Derivative Liability

Change in value of derivative liability was a loss of approximately $1,461,000 in the nine months ended July 31, 2014 compared to a gain of approximately $315,000 in the comparable prior year period. The derivative liability represents the bifurcated conversion features of the January 2013 Convertible Debentures through its conversion date and the November 2013 Convertible Debenture. An increase in the price of our common stock results in an increase in derivative liability and a loss from change in value of derivative liability. See Note 3 to the condensed consolidated financial statements for additional information.

Loss on Extinguishment of Debt

During the nine months ended July 31, 2014, holders of $1,240,000 of the Convertible Debentures due January 2015 converted their holdings into 8,267,080 shares of Common Stock and holders of $200,000 of principal of Convertible Debentures due January 2015 consented to prepayment of obligations to them. In connection with these conversions and prepayments, the Company recorded a loss on extinguishment of debt of approximately $483,000 in the nine months ended July 31, 2014. During the nine months ended July 31, 2013, holders of $325,000 of the Convertible Debentures due January 2015 converted their holdings into 2,166,775 shares of Common Stock. In connection with these conversions the Company recorded a loss on extinguishment of debt of approximately $344,000 in the nine months ended July 31, 2013. See Note 3 to the condensed consolidated financial statements for additional information.

Interest Expense

Interest expense increased by approximately $99,000 to approximately $1,082,000 in the nine months ended July 31, 2014 from approximately $983,000 in the prior year period. Interest expense in the nine months ended July 31, 2014 and 2013 includes approximately $575,000 and $195,000, respectively, of amortization of debt discount on convertible debentures, approximately $286,000 and $-0-, respectively, of amortized interest on our patent acquisition obligation and approximately $151,000 and $-0-, respectively, of accrued interest on the November 2013 convertible debentures and approximately $62,000 and $70,000 of common stock issued to pay interest. During the nine months ended July 31, 2013, the convertible debentures due September 2016 were converted into shares of common stock. The conversion of these debentures resulted in a charge to interest expense of approximately $717,000 during the nine months ended July 31, 2013. There was no charge to interest expense related to the conversion of debentures in the current fiscal period.

Dividend Income

Dividend income of approximately $48,000 received in the nine months ended July 31, 2014 was related to the Videocon global depository receipts (the "Videocon GDRs") that we had received in connection with our agreement with Videocon. There was no dividend income received in the nine months ended July 31, 2013.

Interest Income

Interest income increased to approximately $5,000 in the nine months ended July 31, 2014 compared to approximately $-0- in the nine months ended July 31, 2013 due to the increased amount of short term investments during the current period.

Three months ended July 31, 2014 compared with three months ended July 31, 2013

Revenue from Patent Assertion Activities

As of July 31, 2014. the Company owns or controls 10 patent portfolios. Since implementing our new business model in January of 2013, the Company has entered into a total of 14 revenue producing license and/or settlement agreements, and 3 of our 7 patent assertion campaigns have generated revenue. As of July 31, 2014. the Company has 27 pending lawsuits in connection with its patented technologies. Our primary source of revenue will come from licenses resulting from the unauthorized use of our patented technologies, including the settlement of patent infringement lawsuits.

Our license agreements primarily provide for one-time, non-recurring, lump sum payments in exchange for a non-exclusive retroactive and future license, or covenant not to sue. Accordingly, the earning process from these licenses is completed and 100% of the revenue is recognized upon execution of the license agreements. We did not enter into any license agreements during the three months ended July 31, 2014 and 2013 and we did not record any revenue from patent assertion activities during those periods.

Display Technology Development and License Fees

Based on our assessment as of July 31, 2014, we have determined that we have no further performance obligations under the AUO License Agreements and accordingly during the three months ended July 31, 2014, we have recognized display technology development and license fee revenue of approximately $1,187,000, representing the balance of the initial $3 million payment received from AUO in fiscal year 2011. We did not record any display technology development and license fees during the nine months ended July 31, 2013.

Inventor Royalties and Contingent Legal Fees

Inventor royalties and contingent legal fees are attributable to our patent assertion activities initiated during fiscal 2013, and are expensed in the period that the related revenues are recognized. Inventor royalties and contingent legal fees, as a percentage of revenue from patent assertion activities, will vary between fiscal periods since the economic terms of patent agreements and contingent legal fee arrangements vary across the patent portfolios owned or controlled by our operating subsidiaries. We did not incur any inventor royalties or contingent legal fees during the three months ended July 31, 2014 and 2013, as we recognized no patent assertion revenues during these periods.

Litigation and Licensing Expenses

Litigation and licensing expenses increased by approximately $148,000 to approximately $163,000 in the three months ended July 31 2014, from approximately $15,000 in the comparable prior year period. Litigation and licensing expenses other than contingent legal fees, which are attributable to our patent assertion activities initiated during fiscal 2013 and the AUO/E Ink Lawsuit, are expensed in the period incurred.

Amortization of Patents

Amortization of patents of approximately $81,000 in the three months ended July 31, 2014 is related to patent portfolios acquired in the first quarter of fiscal 2014. We capitalize patent and patent rights acquisition costs and amortize the cost over the estimated economic useful life. We did not incur any patent amortization expense during the three months ended July 31, 2013.

Marketing, General and Administrative Expenses

Marketing, general and administrative expenses decreased by approximately $1,100,000 to approximately $1,103,000 in the three months ended July 31, 2014, from approximately $2,203,000 in the comparable prior-year period. The decrease in marketing, general and administrative expenses was principally due to a decrease in legal and accounting fees of approximately $163,000, a decrease in shareholder relations expense of approximately $172,000, decrease in stock option expense for employees of approximately $517,000, decrease in stock option expense for the Company's strategic advisor and a director of the Company of approximately $251,000. Marketing, general and administrative expense for the three months ended July 31, 2014 and 2013 includes approximately $470,000 and $1,238,000, respectively, of non-cash stock option expense.

Change in Value of Derivative Liability

Change in value of derivative liability was a gain of approximately $850,000 in the three months ended July 31, 2014 compared to a gain of approximately $105,000 in the comparable prior year period. The derivative liability represents the bifurcated conversion features of the January 2013 Convertible Debentures through its conversion date and the November 2013 Convertible Debenture. An increase in the price of our common stock results in an increase in derivative liability and a loss from change in value of derivative liability. See Note 3 to the condensed consolidated financial statements for additional information.

Loss on Extinguishment of Debt

During the three months ended July 31, 2014 there was no extinguishment of debt. During the three months ended July 31, 2013, holders of $325,000 of the Convertible Debentures due January 2015 converted their holdings into 2,166,775 shares of Common Stock. In connection with these conversions the Company recorded a loss on extinguishment of debt of approximately $344,000 in the three months ended July 31, 2014. See Note 3 to the condensed consolidated financial statements for additional information.

Interest Expense

Interest expense increased by approximately $156,000 to approximately $281,000 in the three months ended July 31, 2014 from approximately $125,000 in the prior year period. Interest expense in the three months ended July 31, 2014 and 2013 includes approximately $129,000 and $92,000, respectively, of amortization of debt discount on convertible debentures, approximately $100,000 and $-0-, respectively, of amortized interest on our patent acquisition obligation and approximately $53,000 and $-0-, respectively, of accrued interest on the November 2013 convertible debentures.

Interest Income

Interest income increased to approximately $1,000 in the three months ended July 31, 2014 compared to approximately $-0- in the three months ended July 31, 2013 due to the increased amount of short term investments during the current period.

Liquidity and Capital Resources

Our primary sources of liquidity are cash, cash equivalents and short term investments on hand generated from our operating activities and proceeds from previous financing.

Based on currently available information, as of September 15, 2014. the Company believes that its then existing cash, cash equivalents, short-term investments, accounts receivable, and expected cash flows from patent licensing and enforcement, and other potential sources of cash flows will be sufficient to enable it to continue our patent licensing and enforcement activities for at least 12 months from September 15, 2014. However, our projections of future cash needs and cash flows may differ from actual results. If current cash on hand, short term investments and cash that may be generated from patent licensing and enforcement activities are insufficient to satisfy our liquidity requirements, we may seek to sell equity securities or obtain loans from various financial institutions where possible. The sale of additional equity securities or convertible debt 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.

During the nine months ended July 31, 2014, cash used in operating activities was approximately $2,017,000. Cash used in investing activities during the nine months ended July 31, 2014 was approximately $2,554,000, which principally resulted from the purchase of certificates of deposit totaling $3,700,000 which was partially offset by the sale of certificates of deposit totaling $1,150,000. Our cash provided by financing activities during the nine months ended July 31, 2014 was approximately $7,324,000, which resulted from the net proceeds from the sale of 16,000,000 shares of the company's common stock for approximately $3,673,000, the sale of convertible debentures in a private placement for $3,500,000, the proceeds from exercise of warrants to purchase common stock of approximately $300,000, and the proceeds from exercise of stock options of approximately $51,000 offset by the payment to redeem convertible debentures of $200,000. As a result, our cash, cash equivalents, and short-term investments at July 31, 2014 increased approximately $5,304,000 to approximately $6,202,000 from approximately $898,000 at the end of fiscal year 2013.

Accounts receivable at July 31, 2014 of approximately $133,000 are scheduled to be collected in the fourth quarter of fiscal 2014. The majority of royalties and contingent legal fees payable at July 31, 2014 of approximately $152,000 are scheduled to be paid in the fourth quarter of fiscal 2014.

In April 2013, the Company entered into a common stock purchase agreement (the "Stock Purchase Agreement") with Aspire Capital, which provides that Aspire Capital is committed to purchase up to an aggregate of $10 million of shares of the Company's common stock over the two-year term of the agreement. In order to sell shares under the Stock Purchase Agreement, the Company was required to have a registration statement covering the shares issued to Aspire Capital declared effective by the Securities and Exchange Commission (the "SEC"). Such registration statement was declared effective by the SEC in June 2013 and a post-effective amendment was declared effective by the SEC in February 2014. Under the Stock Purchase Agreement there are two ways that the Company can elect to sell shares of common stock to Aspire Capital. On any business day the Company can select: (1) through a regular purchase of up to 200,000 shares (but not to exceed $200,000) at a known price based on the market price of the Company's common stock prior to the time of each sale, and (2) through a volume-weighted average price, or VWAP, purchase of a number of shares up to 30% of the volume traded on the purchase date at a price equal to the lesser of (i) the closing sale price on the purchase date or (ii) 95% of the VWAP for such purchase date. The Company can only require a VWAP purchase if the closing sale price for our Common Stock on the notice day for the VWAP purchase is higher than $0.50. The number of shares covered by and the timing of, each purchase notice are determined by the Company at its sole discretion. The Company cannot execute any sales under the Stock Purchase Agreement when the closing for our common stock is less than $0.15. Aspire Capital has no right to require any sales from us, but is obligated to make purchases as directed in accordance with the Stock Purchase Agreement. During fiscal year 2013, the Company sold 5,380,000 shares of our common stock to Aspire Capital for approximately $1,092,000. No shares of our common stock were sold to Aspire Capital during the nine months ended July 31, 2014.

On July 15, 2014, the Company, raised $4,000,000 of gross proceeds via a registered direct offering of its common stock to certain investors (the "Investors") (the "Offering"). The Company sold an aggregate of 16,000,000 shares of common stock and warrants to purchase an aggregate of 8,000,000 shares of common stock. The purchase price of the common stock was $0.25 per share. The warrants are exercisable immediately as of the date of issuance at an exercise price of $0.40 per share and expire five years from the date of issuance. The exercise price of the warrants is subject to customary adjustment in the case of stock splits, stock dividends, combinations of shares and similar recapitalization transactions. Under certain circumstances, the Company has the right to call for cancellation all or any portion of each warrant for which a notice of exercise has not yet been delivered for consideration equal to $.001 per share. The Offering was effected as a takedown off the Company's shelf registration statement on Form S-3, which became effective on April 25, 2014, pursuant to a prospectus supplement filed with the Securities and Exchange Commission.

The following table presents our expected cash requirements for contractual obligations outstanding as of July 31, 2014:

	Payments Due by Period				
Contractual Obligations	Less than 1 year	1-3 years	3-5 years	After 5 years	Total
Non-cancelable Operating Leases	$ 60,092	$ -	$ -	$ -	$ 60,092
Convertible Debentures due 2016 (1)	-	3,500,000	-	-	3,500,000
Patent acquisition obligation	-	-	3,136,513	-	3,136,513
Secured Loan Obligation to Mars Overseas (1)	5,000,000	-	-	-	5,000,000
Total Contractual Cash Obligations	$ 5,060,092	$ 3,500,000	$ 3,136,513	$ -	$ 11,696,602

(1) See Note 2 to the condensed consolidated financial statements, Subsequent Events – for subsequent conversion of the convertible debenture and cancellation of the secured loan obligation to Mars Overseas Limited.

Critical Accounting Policies

The Company's condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. In preparing these financial statements, we make assumptions, judgments and estimates that can have a significant impact on amounts reported in our consolidated financial statements. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. On a regular basis, we evaluate our assumptions, judgments and estimates and make changes accordingly.

We believe that, of the significant accounting policies discussed in Note 2 to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended October 31, 2013, the following accounting policies require our most difficult, subjective or complex judgments:

- Revenue Recognition;
- Investment Securities;
- Stock-Based Compensation; and
- Convertible Debentures

Revenue Recognition

Revenue is recognized when (i) persuasive evidence of an arrangement exists, (ii) all obligations have been substantially performed pursuant to the terms of the arrangement, (iii) amounts are fixed or determinable, and (iv) the collectability of amounts is reasonably assured.

Patent Monetization and Patent Assertion

In general, revenue arrangements provide for the payment of contractually determined fees in consideration for the grant of certain intellectual property rights for patented technologies owned or controlled by our operating subsidiaries. These rights typically include some combination of the following: (i) the grant of a non-exclusive, retroactive and future license to manufacture and/or sell products covered by patented technologies owned or controlled by our operating subsidiaries, (ii) a covenant-not-to-sue, (iii) the release of the licensee from certain claims, and (iv) the dismissal of any pending litigation. The intellectual property rights granted are perpetual in nature, extending until the expiration of the related patents. Pursuant to the terms of these agreements, our operating subsidiaries have no further obligation with respect to the grant of the non-exclusive retroactive and future licenses, covenants-not-to-sue, releases, and other deliverables, including no express or implied obligation on our operating subsidiaries' part to maintain or upgrade the technology, or provide future support or services. Generally, the agreements provide for the grant of the licenses, covenants-not-to-sue, releases, and other significant deliverables upon execution of the agreement. As such, the earnings process is complete and revenue is recognized upon the execution of the agreement, when collectability is reasonably assured, and when all other revenue recognition criteria have been met.

Display Technology Development and License Fees

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 development and license fees of $3 million, of aggregate development and license fees of up to $10 million. The additional $7 million in development and license fees were to be payable upon completion of certain conditions for the respective technologies. We have 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 development and 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 development and license fees as either deferred revenue or revenue as it is considered contingent revenue. Each of the license agreements with AUO also provide for the basis for royalty payments on future production, if any, by AUO to the Company, which we have determined represent separate units of accounting. At each reporting period we assess our remaining performance obligations under the AUO License agreements and recognize display technology development and license fee revenue over the remaining estimated period that we expect to complete the conditions for the respective technologies.

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. In evaluating our investment in Videocon GDR's at October 31, 2013, we determined that based on both the duration and continuing magnitude of the market price decline compared to the carrying cost basis of approximately $5,382,000, and the uncertainty of its recovery we recorded a write-down of the investment of approximately of $1,185,000 and established a new cost basis of approximately $4,197,000. During the nine months ended July 31, 2014, we recorded an unrealized loss on our investment of approximately $46,000. On August 29, 2014, the Company ended its relationship with Videocon Industries Limited and exchanged its 1,495,845 Videocon GDR's for 20,000,000 shares of Company common stock.

Stock-Based Compensation

We account for stock options granted to employees and directors using the accounting guidance in ASC 718. We recognize compensation expense for stock option awards over the requisite or implied service period of the grant. We recorded stock-based compensation expense, related to stock options granted to employees and directors, of approximately $1,562,000 and $2,118,000 during the nine months ended July 31, 2014 and 2013, respectively, and approximately $573,000 and approximately $1,091,000 during the three months ended July 31 2014 and 2013, respectively. We account for stock options granted to consultants using the accounting guidance under ASC 505-50. We recognized stock-based compensation expense for stock options granted to non-employee consultants during the nine months ended July 31, 2014 and 2013, of approximately $784,000 and $574,000, respectively, and for the three months ended July 31, 2014 and 2013 of approximately $(103,000) and approximately $147,000, respectively.

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 term. If factors change and we employ different assumptions in the application of ASC 718 and ASC 505-50 in future periods, the compensation expense that we record may differ significantly from what we have recorded in the current period. See Note 3 to the condensed consolidated financial statements for additional information.

Convertible Instruments

The Company accounts for hybrid contracts that feature conversion options in accordance with applicable generally accepted accounting principles ("GAAP"). ASC 815 "Derivatives and Hedging Activities," ("ASC 815") requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria includes circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

Conversion options that contain variable settlement features such as provisions to adjust the conversion price upon subsequent issuances of equity or equity linked securities at exercise prices more favorable than that featured in the hybrid contract generally result in their bifurcation from the host instrument.

The Company accounts for convertible instruments, when the Company has determined that the embedded conversion options should not be bifurcated from their host instruments, in accordance with ASC 470-20 "Debt with Conversion and Other Options" ("ASC 470-20"). Under ASC 470-20 the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. The Company accounts for convertible instruments (when the Company has determined that the embedded conversion options should be bifurcated from their host instruments) in accordance with ASC 815. Under ASC 815, a portion of the proceeds received upon the issuance of the hybrid contract are allocated to the fair value of the derivative. The derivative is subsequently marked to market at each reporting date based on current fair value, with the changes in fair value reported in results of operations.

Effect of Recently Issued Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2013-11 ("ASU 2013-11") which requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carry forward that would apply in settlement of the uncertain tax positions. Under the new standard, unrecognized tax benefits will be netted against all available same-jurisdiction loss or other tax carry forwards that would be utilized, rather than only against carry forwards that are created by the unrecognized tax benefits. ASC 2013-11 is effective for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2013. The adoption of ASC 213-11 on November 1, 2014 is not expected to have a material effect on our consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update 2014-09 ("ASU 2014-09"), "Revenue from Contracts with Customers". The amendments in ASU 2014-9 create Topic 606, Revenue from Contracts with Customers, and supersede the revenue recognition requirements in Topic 605, Revenue Recognition, including most industry-specific revenue recognition guidance. In addition, the amendments supersede the cost guidance in Subtopic 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts, and create new Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 2014-09 is effective for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2016. The adoption of ASC 213-11 on November 1, 2017 is not expected to have a material effect on our consolidated financial statements.

MANAGEMENT

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	70	2010
Robert A. Berman	Director, President and Chief Executive Officer	51	2012
Henry P. Herms	Chief Financial Officer and Vice President – Finance	69	2000
Dr. Amit Kumar	Director, Strategic Advisor	50	2012
Tisha Stender	Chief Operating Officer and Legal Counsel	42	2014
Bruce F. Johnson	Director	72	2012
Dr. Andrea Belz	Director	42	2014
Dale Fox	Director	47	2014

We believe that our Board represents a desirable mix of backgrounds, skills, and experiences. The principal occupation and business experience during the last five years for our executive officers and directors and some of the specific experiences, qualifications, attributes or skills that led to the conclusion that each person should serve as one of our directors in light of our business and structure is as follows:

Lewis H. Titterton, 70, Chairman of the Board. 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 also 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.

Robert A. Berman, 51, Director, President and Chief Executive Officer. Mr. Berman has served as our President and Chief Executive Officer since September 19, 2012 and was elected to our Board 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 ("IPDR"), 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.

Henry P. Herms, 69, Director, Chief Financial Officer and Vice President – Finance. 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. Herms 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.

Dr. Amit Kumar, 50, Director, Strategic Advisor. Dr. Kumar has served on our Board 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 and completed his post doctoral training at Harvard University.

Tisha Stender, 42, Chief Operating Officer and Legal Counsel. Prior to Ms. Stender's employment with the Company, Ms. Stender served as Senior Vice president of Licensing of Acacia Research Corporation, a company involved in the monetization of patented inventions, from June 2005 through May 2014. At Acacia Research Corporation, Ms. Stender oversaw the licensing and enforcement of certain patent portfolios controlled by the subsidiaries of Acacia Research Corporation. Ms. Stender holds a J.D. and a Master's of Science in Human Resources and Organizational Development from Loyola University Chicago and a Bachelor's degree from the University of Illinois at Urbana-Champaign.

Bruce F. Johnson, 72, Director. Mr. Johnson has served on our Board 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.

Dr. Andrea Belz, 42, Director. Dr. Belz is an expert in technology commercialization, specializing in start-up and emerging companies whose core businesses frequently involve the licensing of patented technologies. Dr. Belz is currently on the faculty of the Greif Center for Entrepreneurial Studies at the University of Southern California Marshall School of Business and is the Academic Director of the Master of Science in Entrepreneurship and Innovation program. She has helped initiate spin-up and spinout efforts at some of the world's leading sources of patented technologies, including Caltech, NASA's Jet Propulsion Laboratory, BP, Occidental Petroleum, Avery Dennison, and UCLA. Dr. Belz is the Chairperson of the Los Angeles Chapter of the Licensing Executives Society, the pre-eminent organization for intellectual property professionals with chapters throughout the United States and Canada, and serves as a national trainer for courses on best practices in licensing. Dr. Belz is the President of the Belz Consulting Group, founded in 2002, and has been an Executive Committee Board Member at Caltech spinoff Ondax (privately held) since 2013. Dr. Belz holds a PhD in physics from the California Institute of Technology, an MBA in finance from the Pepperdine University Graziadio School of Business, and a BS in physics from the University of Maryland at College Park.

Dale Fox, 49, Director. Mr. Fox is an accomplished entrepreneur and innovator who has successfully launched many companies. He is currently the CEO of Tribogenics, a start-up company he co-founded in 2010 that develops portable, powerful X-ray devices based, in part, upon a technology conceived and licensed from the University of California, Los Angeles. Mr. Fox has raised numerous rounds of capital for many types of companies, including venture capital, strategic investments, and other financings. A master at networking, Mr. Fox has built world-class executive and advisory teams. He received a Bachelor of Business Administration degree from Southern Methodist University's Cox School of Business. Since 2009, Mr. Fox has taught at the Founders Institute where he teaches classes on start-ups and continues to mentor young entrepreneurs.

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

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.

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.

Board of Directors and Corporate Governance

General

Our Board oversees the activities of our management in the handling of the business and affairs of our Company. As part of the Board's oversight responsibility, it monitors developments in the area of corporate governance, including new SEC requirements, and periodically reviews and amends, as appropriate, our governance policies and procedures.

We are not currently subject to the 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. Messrs. Titterton, Johnson and Fox and Dr. Belz meet the definition of "independent" as defined by the SEC.

Except for the period between August 21, 2012 and November 29, 2012, we have not had, and do not currently have, a separately-designated standing audit, nominating or compensation committee because we believed that, given the size of our Company, separate committees were unnecessary. The Board assumes the functions regularly held by an audit committee, compensation committee and stock option committee. Specifically, the Board oversees management's conduct of our financial reporting process, including the selection of our independent auditors and the review of the financial reports and other financial information provided by us to any governmental or regulatory body, the public or other users thereof, our systems of internal accounting and financial controls, and the annual independent audit of our financial statements. Additionally, the Board has full authority for determination of executive and director compensation. The Board's processes and procedures for the consideration and determination of executive and director compensation for fiscal year 2013 are described under the heading "Compensation Discussion and Analysis." Further, the Board administers stock option plans.

Board Leadership Structure and Role in Risk Oversight

Although we do not require separation of the offices of the Chairman of the Board and Chief Executive Officer, we currently have a different person serving in each such role — Mr. Titterton is our Chairman of the Board and Mr. Berman is our President and Chief Executive Officer. The decision whether to combine or separate these positions depends on what our Board deems to be in the long term interest of stockholders in light of prevailing circumstances. Mr. Titterton has served as our Chairman since July 20, 2012. Mr. Berman has served as our Chief Executive Officer since September 19, 2012. This arrangement has allowed our Chairman to lead the Board, while our Chief Executive Officer has focused primarily on managing the daily operations of the Company. The separation of duties provides strong leadership for the Board while allowing the Chief Executive Officer to be the leader of the Company, focusing on its employees and operations.

Our Board currently consists of six directors. The Board has not appointed a lead independent director. Due to the size of the Board, the independent directors are able to closely monitor the activities of our Company. In addition, the independent directors are able to meet independently with the Company's independent registered public accounting firm without management to discuss the Company's financial statements and related audits. Therefore, the Board has determined that a lead independent director is not necessary at this time. To the extent the composition of the Board changes and/or grows in the future, the Board may reevaluate the need for a lead independent director.

Management is responsible for the day-to-day management of risks the Company faces, while the Board as a whole has ultimate responsibility for the Company's oversight of risk management. Our Board takes an enterprise-wide approach to risk oversight, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance stockholder value. A fundamental part of risk oversight is not only understanding the risks a Company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the Company. As a critical part of this risk management oversight role, our Board encourages full and open communication between management and the Board. Our Board regularly reviews material strategic, operational, financial, compensation and compliance risks with management. In addition our management team regularly reports to the full Board regarding their areas of responsibility and a component of these reports is risk within the area of responsibility and the steps management has taken to monitor and control such exposures. Additional review or reporting on risk is conducted as needed or as requested by our Board.

On May 28, 2014, the Board approved the creation of an Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. The Board has not yet filled the vacancies in each of these committees.

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, ITUS Corporation, 900 Walt Whitman Road, Melville, NY 11747.

Transactions with Related Persons

On January 25, 2013, we completed a private placement of $1,765,000 principal amount of 8% Convertible Debentures due 2015 and warrants to purchase 5,882,745 shares of Common Stock. We had the option to pay any interest on the debentures in Common Stock based on the average of the closing prices of our Common Stock for the 10 trading days immediately preceding the interest payment date. During June and July 2013, $325,000 principal amount of these debentures were converted into 2,166,775 shares of Common Stock. During 2014, an aggregate of $1,240,000 principal amount of these debentures were converted into 8,267,080 shares of Common Stock. The principal amount outstanding of these debentures of $200,000 was paid in full during April 2014. 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. Mr. Berman, Dr. Kumar and Mr. Johnson received 333,350 shares, 666,700 shares and 666,700 shares, respectively, upon conversion of the debentures and 21,495 shares, 42,991 shares and 42,991 shares, respectively, in payment of interest on the debentures. Jeffery Titterton and Christopher Titterton, the adult sons of Lewis H. Titterton, Jr. our Chairman of the Board, purchased $25,000 and $25,000, respectively, of securities in this offering. Jeffery Titterton and Christopher Titterton have received 166,675 shares and 166,675 shares, respectively, upon conversion of the debentures and 10,748 shares and 8,451 shares, respectively, in payment of interest on the debentures.

As more fully described in "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, and Dr. Amit Kumar, a consultant and director of the Company, and concurrently issued to them options to purchase 16,000,000 shares of the Company's common stock each. Additionally, on July 8, 2014, we entered into an employment agreement with Tisha Stender, the Company's Chief Operating Officer and Legal Counsel, and issued to her options to purchase 4,000,000 shares of the Company's common stock.

Related Person Transaction Approval Policy

While we have no written policy regarding approval of transactions between us and a related person, our Board, as matter of appropriate corporate governance, reviews and approves all such transactions, to the extent required by applicable rules and regulations. Generally, management would present to the Board 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.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Executive Compensation

The following table sets forth certain information for fiscal year ended October 31, 2014, with respect to compensation awarded to, earned by or paid to our current Chief Executive Officer, our Chief Operating Officer and Legal Counsel and our Chief Financial Officer (the "Named Executive Officers"). No other executive officer received total compensation in excess of $100,000 during fiscal year 2014.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($) (2)	All Other Compensation ($) (3)	Total Compensation ($)
Robert A. Berman (1)	2014	$ 300,000	$ 200,000	$ 254,480	$ 8,320	$ 762,800
Chief Executive Officer	2013	$ 290,000	$ 50,000	$ -	$ -	$ 340,000
and Director	2012	$ 32,223	$ -	$2,882,667	$ -	$ 2,914,890
Tisha Stender	2014	$ 112,826	$ -	$ 850,200	$ -	$ 963,026
Henry P. Herms	2014	$ 168,000	$ -	$ 92,455	$ -	$ 260,455
Chief Financial Officer,	2013	$ 150,000	$ -	$ -	$ 16,665	$ 166,665
Vice President- Finance	2012	$ 150,000	$ -	$ 69,219	$ 15,033	$ 234,252
and former Director						

(1) A portion of Robert A. Berman's salary and bonus, which has been earned and accrued, has been deferred.
(2) 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, 2014, 2013 and 2012 for each Named Executive Officer in accordance with Accounting Standards Codification ("ASC") 718 and also reflects the amendment of certain options on November 8, 2013 and 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, 2013 in our Annual Report on Form 10-K.
(3) 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 life insurance premiums for the fiscal year ended October 31, 2014 and auto allowance and related expenses for fiscal years ended October 31, 2013 and 2012.

Employment 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 was to receive an annual base salary of $290,000, provided, however that payment of his salary was to be deferred until the Cash Milestone (as described below) was achieved. In February 2013, the Board elected to commence paying Mr. Berman his salary effective February 1, 2013, but his deferred salary, which has been earned and accrued, has not yet been paid. In August 2013, the Cash Milestone was achieved.

In addition to his base salary, Mr. Berman was 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. The Cash Milestone bonus, which has been earned and accrued, has not yet been paid. Mr. Berman was 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, which Stock Price Targets were not achieved prior to September 19, 2013.

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 vest in three equal installments upon achievement of the Cash Milestone (which Cash Milestone has been achieved) and the Stock Price Targets (without regard to the 12 month period). The vesting conditions of the Stock Price Target options have been amended as described below. 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.

Amendment to Employment and Stock Option Agreements

Robert A. Berman's employment agreement includes the grant of certain stock options. On November 8, 2013, in light of the cost and expense of valuing the unvested portion of the options on a quarterly basis for financial reporting purposes, the Board approved an amendment to the Stock Price Target stock options awarded on September 19, 2012 (the "Option Awards") to Mr. Berman. The amendment modifies the Option Awards' vesting conditions to provide that the unvested portion of the stock options will vest in 23 consecutive monthly installments, commencing on November 30, 2013 through September 30, 2015. Prior to the amendment, the Option Awards had provided that the stock options would vest if certain milestone targets were met. All the other terms and conditions of the Option Awards remain unchanged.

Employment Agreement with Tisha Stender

On July 8, 2014, the Company entered into an Employment Agreement with Ms. Stender (the "Stender Agreement") to serve as Chief Operating Officer and Legal Counsel of the Company. Pursuant to the Stender Agreement, Ms. Stender is to receive an annual base salary of $277,000 (effective August 4, 2014). In addition to her base salary, Ms. Stender is entitled to receive one or more cash bonuses at the reasonable discretion of Mr. Berman.

The Company also granted Ms. Stender options to purchase 4,000,000 shares of the Company's common stock, with an exercise price equal $0.25 per share (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 August 31, 2014. The balance of the options vest in two equal installments upon achievement of the certain Company milestones.

If Ms. Stender's employment is terminated by the Company or she terminates her employment for any reason or no reason, the Company shall be obligated to pay to Ms. Stender only any earned compensation and/or bonus due under the Stender Agreement, any unpaid reasonable and necessary expenses, and any accrued and unpaid benefits due to her 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.

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, 2014:

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	5,555,558(1)	2,444,442(1)	$0.2175	9/19/2022
	2,666,667(2)		$0.2175	9/19/2022
	2,782,609(3)	2,550,724(3) 694,450(4)	$0.2175	9/19/2022
	305,550(4)		$0.2000	11/8/2023
Henry P. Herms	100,000		$0.650	2/17/2015
	100,000		$0.520	10/30/2015
	50,000		$0.145	5/31/2016
	50,000		$0.700	11/20/2016
	75,000		$0.145	11/11/2017
	100,000		$0.145	10/7/2019
	100,000		$0.370	6/01/2021
	208,337(5)	91,663(5)	$0.235	9/19/2022
	168,050(6)	381,950(6)	$0.200	11/8/2018
Tisha Stander	166,685(7)	1,833,315(7)	$0.25	7/16/2024
	–	2,000,000(8)	$0.25	7/16/2024

(1) Options vest and became exercisable in 36 consecutive monthly installments, beginning October 31, 2012 and continuing through September 30, 2015.
(2) Options vested upon achievement of the Cash Milestone.
(3) Options were to vest in two equal installments upon achievement of the Stock Price Targets. On November 8, 2013, the vesting conditions were modified by the Board to provide that the unvested portion of the stock options will vest in 23 consecutive monthly installments, commencing on November 30, 2013 through September 30, 2015.
(4) Options vest and became exercisable in 36 consecutive monthly installments, beginning December 31, 2013 and continuing through November 30, 2016.
(5) Options vest and became exercisable in 36 consecutive monthly installments, beginning October 31, 2012 and continuing through September 30, 2015.
(6) Options vest and became exercisable in 36 consecutive monthly installments, beginning December 31, 2013 and continuing through November 30, 2016.
(7) Options vest and became exercisable in 36 consecutive monthly installments, beginning August 31, 2014 and continuing through July 3, 2017.
(8) Options vest in two equal installments upon achievement of certain Company milestones.

The following table sets forth certain information with respect to grants of stock options to the Named Executive Officers during fiscal year 2014:

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)
Tisha Stender	7/16/2014(2)	4,000,000	$0.25(3)	$850,200

(1) Represent the grant date fair value of stock option awards in accordance with Accounting Standards Codification ("ASC") 718.
(2) Reflects options granted to Ms. Stender under the Stender Agreement.
(3) 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.

The following table summarizes the exercise of stock options during fiscal 2014 by Named Executives:

OPTION EXERCISES AND STOCK VESTED TABLE		
	Option Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($) (1)
Henry P. Herms	75,000	$2,482

(1) The value realized on exercise is calculated based on the difference between the exercise price of the options and the market price of the stock at the time of exercise.

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 intrinsic value of such options would be $-0-, 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, 2014 of $0.20 and (y) the options' exercise price of $0.2175 per share.

Options granted Mr. Berman on November 8, 2013 provide for the vesting of the unvested portion of his options to be accelerated and such accelerated options to become immediately exercisable if Mr. Berman is terminated without cause. The intrinsic value of such options would be $-0-, which was calculated by multiplying (a) 694,450 options (being the number of options granted to him on November 8, 2013 that would be accelerated) (b) an amount equal to the excess of the (x) our closing share price on October 31, 2014 of $0.20 and (y) the options' exercise price of $0.20 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 $23,077).

Tisha Stender

If Ms. Stender's employment is terminated by the Company or she terminates her employment for any reason or no reason, the Company shall be obligated to pay to Ms. Stender only any earned compensation and/or bonus due under the Stender 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 $21,308).

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 intrinsic value of Mr. Herms' outstanding options granted on September 19, 2012 would be $-0-, which was calculated by multiplying (a) 91,663 options (being the unvested portion of options granted to him on September 19, 2012 that he held on October 31, 2014) by (b) an amount equal to the excess of the (x) our closing share price on October 31, 2014 of $0.20 and (y) the options' exercise price of $0.235 per share. The intrinsic value of Mr. Herms' outstanding options granted on November 8, 2013 would be $-0-, which was calculated by multiplying (a) 381,950 options (being the unvested portion of options granted to him on November 8, 2014 that he held on October 31, 2014) by (b) an amount equal to the excess of the (x) our closing share price on October 31, 2014 of $0.20 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 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 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. Consistent with the non-employee director compensation approved on March 28, 2013 for calendar year 2013, on November 8, 2013, the Board approved an amendment to the 2010 Share Incentive Plan to provide that on January 1st of each year commencing on January 1, 2014, each non-employee director (a "Director Participant") of the Company at that time shall automatically be granted a 10 year nonqualified stock option to purchase 300,000 shares of Common Stock (or 400,000 in the case of the Chairman of the Board to the extent he qualifies as a Director Participant), with an exercise price equal to the closing price on the date of grant, that will vest in four equal quarterly installments in the year of grant. In addition, each person who is a Director Participant and joins the Board after January 1 of any year, shall be granted on the date such person joins the Board, a nonqualified stock option to purchase 300,000 shares of Common Stock (or 400,000 in the case of the Chairman of the Board) pro-rated based upon the number of calendar quarters remaining in the calendar year in which such person joins the Board (rounded up for partial quarters).

Our employee director, Robert A. Berman and former employee director Henry P. Herms, did not receive any additional compensation for services provided as a director during fiscal year 2014. The following table sets forth compensation of Lewis H. Titterton, Brice F. Johnson, Dr. Andrea Belz and Dale Fox, our non-employee directors and Kent B. Williams, our former non-employee director, for fiscal year 2014:

DIRECTORS COMPENSATION			
Name	Option Awards ($) (1)	Bonus ($)	All Other Compensation ($)
Lewis H. Titterton Jr.	$567,580	-	-
Bruce F. Johnson	$ 47,460	-	-
Kent B. Williams	$118,590	-	-
Dr. Andrea Belz	$30,482	-	-
Dale Fox	$30,482	-	-

(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, 2014, in accordance with ASC 718. 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, 2013 included in our Annual Report on Form 10-K. At October 31, 2014, Lewis H. Titterton, Brice F. Johnson, Dr. Andrea Belz and Dale Fox held unexercised stock options to purchase 5,610,000, 720,000, 150,000 and 150,000 shares respectively, of our Common Stock.

Compensation Committee Interlocks and Insider Participation

The Board 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 concerning executive compensation.

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BENEFICIAL OWNERSHIP OF PRINCIPAL STOCKHOLDERS, OFFICERS AND DIRECTORS

The following table sets forth information regarding the beneficial ownership of our common stock as of December 2, 2014, by (i) each person known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock; (ii) each person known by us to be the beneficial owner of more than 5% of our outstanding shares of commons stock; each of our named executive officers and directors; and all of our executive officers and directors as a group.

Name and Address of Beneficial Owner	Percent of Class (6)
Lewis H. Titterton Jr. 900 Walt Whitman Road Melville, NY 11747	6.24%
Robert A. Berman 900 Walt Whitman Road Melville, NY 11747	5.78%
Dr. Amit Kumar 900 Walt Whitman Road Melville, NY 11747	6.24%
Bruce F. Johnson 900 Walt Whitman Road Melville, NY 11747	3.90%
Tisha Stender 900 Walt Whitman Road Melville, NY 11747	*
Henry P. Herms 900 Walt Whitman Road Melville, NY 11747	*
Dr. Andrea Belz 900 Walt Whitman Road Melville, NY 11747	*
Dale Fox 900 Walt Whitman Road Melville, NY 11747	*
All Directors and Executive Officers as a Group (8 persons)	21.37%

* Less than 1%.

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

(2) Includes 1,626,674 shares, 388,884 shares, 388,884 shares, 420,000 shares, 1,022,220 shares, 333,350 shares, 150,000 shares, 150,000 shares and 4,480,012 shares which Lewis H. Titterton Jr., Robert A. Berman, Dr. Amit Kumar, Bruce F. Johnson, Henry P. Herms, Tisha Stender, Dr. Andrea Belz, Dale Fox 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 166,650 shares, 333,300 shares, 333,300 shares and 833,250 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 exercise of warrants purchased by them in the private placement on January 25, 2013.

(4) Includes 50,000 shares, 50,000 shares, 400,000 shares and 500,000 shares that Lewis H. Titterton Jr., Dr. Amit Kumar, Tisha Stender 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 registered direct offering on July 15, 2014.

(5) Includes 1,816,667 shares, 12,367,152 shares, 12,367,152 shares, 300,000 shares and 26,850,971 shares which Lewis H. Titterton Jr., Robert A. Berman, Dr. Amit Kumar, Bruce F. Johnson 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.

(6) Based on 219,712,190 shares of Common Stock outstanding as of December 2, 2014.

Equity Compensation Plan Information

The following is information as of October 31, 2013 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 7 to Consolidated Financial Statements for more information on these plans.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)
	(a)		
Equity compensation plans not approved by security holders (1)(2)(3)(4)(5)(6)(7)	63,122,845	$0.3429	1,075,020

(1) On April 23, 2003 the Board 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 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, from July 2010 through August 2012, by the Stock Option Committee, from August 2012 through November 2012, by the Executive Committee of the Board and since November 2012 by the Board, 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 with respect to additional grants on April 21, 2013. The Board of Directors may amend, suspend or terminate the 2003 Share Incentive Plan at any time.

(2) On July 14, 2010 the Board 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 to increase the maximum number of shares of common stock that may be granted to 27,000,000 and 30,000,000 shares, respectively. On November 8, 2013, the Board approved an amendment to provide that effective and following November 8, 2013, the maximum aggregate number of shares available for issuance will be 20,000,000 shares. Additionally, commencing on the first business day in 2014 and on the first business day of each calendar year thereafter, the maximum aggregate number of shares available for issuance shall be replenished such that, as of such first business day, the maximum aggregate number of shares available for issuance shall be 20,000,000 shares. Current and future non-employees directors are automatically granted a 10 year nonqualified stock option to purchase 300,000 shares of Common Stock (or 400,000 in the case of the Chairman of the Board) on January 1st of each year that will vest in four equal quarterly installments. The 2010 Share Incentive Plan was administered by the Stock Option Committee through August 2012, by the Stock Option Committee, from August 2012 through November 2012, by the Executive Committee of the Board and since November (1) 2012 by the Board of Directors, which determines the option price, term and provisions of each option. The 2010 Share Incentive Plan terminates which respect to additional grants on July 14, 2020. The Board may amend, suspend or 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 vest in three equal installments if the Company generates aggregate cash payments in excess of a specified amount (the "Cash Milestone"), which Cash Milestone has been achieved, 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"). On November 8, 2013, in light of the cost and expense of valuing the unvested portion of the options on a quarterly basis for financial reporting purposes, the Board approved an amendment to the Stock Price Target stock options modifying the vesting conditions to provide that the unvested portion of the stock options will vest in 23 consecutive monthly installments, commencing on November 30, 2013 through September 30, 2015. The options otherwise have the same terms and conditions as options granted under the Company's 2010 Share Incentive Plan.

(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.

(5) On November 30, 2012, the Board approved a grant to Kent B. Williams of a stock option to purchase 1,000,000 shares of Company common stock in compensation for his service in recruiting the Company's new management team. These options have an exercise price of $0.211 (the average of the high and low sales price on date of grant) and vest 333,334 shares upon grant and 333,333 shares in two annual installments commencing November 30, 2013. The options otherwise have the same terms and conditions as options granted under the Company's 2010 Share Incentive Plan.

(6) On February 15, 2013, the Board approved a grant to Lewis H. Titterton Jr. of a stock option to purchase 1,000,000 shares of Company common stock in compensation for his service as Chairman of the Board. These stock options have an exercise price of $0.235 (the average of the high and low sales price on date of grant) and vest 333,334 shares upon grant and 333,333 shares in two annual installments commencing February 15, 2014. The options otherwise have the same terms and conditions as options granted under the Company's 2010 Share Incentive Plan.

(7) On March 28, 2013, the Board approved a grant to Lewis H. Titterton Jr., Bruce F. Johnson and Kent B. Williams of a stock option to purchase 400,000 shares, 300,000 shares and 300,000 shares, respectively, of Company common stock as additional compensation as outside directors. Each of these stock options has an exercise price of $0.195 (the average of the high and low sales price on date of grant) and vest in four equal quarterly installments. The options otherwise have the same terms and conditions as options granted under the Company's 2010 Share Incentive Plan.

EXPERTS

The consolidated financial statements of ITUS Corporation and subsidiaries as of October 31, 2012 and 2013, and for each of the years in the two-year period ended October 31, 2013, have been included in the registration statement in reliance upon the report of Haskell & White LLP, independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing.

LEGAL MATTERS

The validity of the common stock being offered pursuant to this registration statement have been passed upon for us by Ellenoff Grossman & Schole LLP located at 1345 Avenue of the Americas, New York, NY 10105.

DISCLOSURE OF COMMISSION POSITION OF INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Our directors and officers are indemnified to the fullest extent permitted under Delaware law. We may also purchase and maintain insurance which protects our officers and directors against any liabilities incurred in connection with their service in such a capacity, and such a policy may be obtained by us in the future.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer or controlling person of ours in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act, which registers certain of our shares of common stock for public resale. This prospectus, which is part of such registration statement, omits certain information, exhibits, schedules and undertakings set forth in the registration statement. For further information pertaining to us and our common stock, reference is made to the registration statement and the exhibits and schedules to the registration statement. Statements contained in this prospectus as to the contents or provisions of any documents referred to in this prospectus are not necessarily complete, and in each instance where a copy of the document has been filed as an exhibit to the registration statement, reference is made to the exhibit for a more complete description of the matters involved.

We file reports, proxy statements and other information with the SEC. Information filed with the SEC by us can be inspected and copied at the Public Reference Room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of this information by mail from the Public Reference Section of the SEC at prescribed rates. Further information on the operation of the SEC's Public Reference Room in Washington, D.C. can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site that contains reports, proxy and information statements and other information about issuers, such as us, who file electronically with the SEC. The address of that website is *www.sec.gov*.

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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.

ITUS CORPORATION AND SUBSIDIARIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
CopyTele, Inc.

We have audited the accompanying consolidated balance sheets of CopyTele, Inc. (the "Company") as of October 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, shareholders' deficiency, and cash flows for each of the years ended October 31, 2013 and 2012. 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 consolidated financial statements are free of material misstatement. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 consolidated financial position of the Company as of October 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the years ended October 31, 2013 and 2012, in conformity with accounting principles generally accepted in the United States.

/s/ Haskell & White LLP
HASKELL & WHITE LLP

Irvine, California
January 16, 2014

ITUS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	October 31, 2013	October 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 898,172	$ 339,693
Short–term investments in certificates of deposit	-	500,000
Accounts receivable	175,000	-
Prepaid expenses and other current assets	160,646	82,326
Total current assets	1,233,818	922,019
Investment in Videocon Industries Limited global depository receipts, at fair value	4,197,341	4,728,367
Property and equipment, net of accumulated depreciation of $45,654 and $2,185,525, respectively	8,379	10,290
Total assets	$ 5,439,538	$ 5,660,676
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,276,470	$ 635,139
Royalties and contingent legal fees payable	207,743	-_
Derivative liability, at fair value	540,000	-_
Deferred revenue, nonrefundable development and license fee	1,187,320	1,187,320
Total current liabilities	3,211,533	1,822,459
Convertible debentures due September 2016, net of discount of $717,727 (Note 6)	-	32,273
Convertible debentures due January 2015, net of discount of $891,402 (Note 6)	548,598	-
Loan payable by CopyTele International Ltd. to related party, secured by Videocon Industries Limited global depository receipts (Note1)	5,000,000	5,000,000
Commitments and contingencies (Notes 8 and 11)		
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; 600,000,000 and 240,000,000 shares authorized, respectively; 209,276,745 and 184,979,037 shares issued and outstanding, respectively	2,092,767	1,849,790
Additional paid-in capital	134,750,048	127,693,160
Loan receivable from related party (Note 1)	(5,000,000)	(5,000,000)
Accumulated deficit	(135,163,408)	(125,083,322)
Accumulated other comprehensive loss	-	(653,684)
Total shareholders' deficiency	(3,320,593)	(1,194,056)
Total liabilities and shareholders' deficiency	$ 5,439,538	$ 5,660,676

The accompanying notes are an integral part of these statements.

ITUS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended October 31,	
	2013	2012
Revenue:		
Revenue from patent assertion activities	$ 388,850	$ -
Amortization of display technology development and license fees received from AU Optronics Corp. in fiscal year 2011	-	940,010
Total revenue	388,850	940,010
Operating costs and expenses:		
Inventor royalties and contingent legal fees	207,743	-
Litigation and licensing expenses	108,915	-
Research and development expenses (including non-cash stock option compensation expense of $233,233)	-	2,211,506
Marketing, general and administrative expenses (including non-cash stock option compensation expense of $3,798,139 and $492,032, respectively)	7,989,846	2,863,060
Total operating costs and expenses	8,306,504	5,074,566
Loss from operations	(7,917,654)	(4,134,556)
Impairment in value of Videocon Industries Limited global depository receipts	(1,184,710)	-
Impairment in value of investment in Volga–Svet Ltd.	-	(127,500)
Change in value of derivative liability	475,189	-
Loss on extinguishment of debt	(343,517)	-
Interest expense	(1,109,519)	(7,664)
Dividend income	-	13,463
Interest income	125	3,458
Loss before income taxes	(10,080,086)	(4,252,799)
Provision for income taxes (Note 10)	-	-
Net loss	$ (10,080,086)	$ (4,252,799)
Net loss per share:		
Basic and diluted	$ (0.05)	$ (0.02)
Weighted average common shares outstanding:		
Basic and diluted	196,645,962	181,677,334

The accompanying notes are an integral part of these statements.

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ITUS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	For the years ended October 31,	
	2013	2012
Net loss	$ (10,080,086)	$ (4,252,799)
Other comprehensive income (loss):		
Reversal of unrealized (loss) as of October 31, 2012, on investment in Videocon Industries Limited global depository receipts	653,684	-
Unrealized (loss) on investment in Videocon Industries Limited global depository receipts	-	(653,684)
Comprehensive loss	$ (9,426,402)	$ (4,906,483)

The accompanying notes are an integral part of these statements.

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ITUS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY
FOR THE YEARS ENDED OCTOBER 31, 2013 and 2012

	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, 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	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
Discount on convertible debentures	-	-	717,391	-	-	-	717,391
Unrealized loss on investment in Videocon Industries Limited global depository receipts	-	-	-	-	-	(653,684)	(653,684)
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)
Stock option compensation to employees	-	-	2,693,121	-	-	-	2 ,693,121
Stock option compensation to consultants	-	-	1,105,018	-	-	-	1,105,018
Common stock issued upon exercise of stock options	146,000	1,460	24,150	-	-	-	25,610
Common stock issued to consultants	1,345,000	13,450	291,235	-	-	-	304,685
Common stock issued upon conversion of convertible debentures	10,318,945	103,189	1,250,175	-	-	-	1,353,364
Common stock issued in lieu of interest on convertible debentures	480,270	4,803	93,936	-	-	-	98,739
Sale of common stock to Aspire Capital Fund, LLC net of expense	5,380,000	53,800	996,605	-	-	-	1,050,405
Common stock issued to Aspire Capital Fund LLC, as consideration	3,500,000	35,000	(35,000)	-	-	-	-
Warrants issued in connection with issuance of convertible debentures	-	-	221,985	-	-	-	221,985
Common stock issued upon exercise of warrants	2,927,493	29,275	351,525	-	-	-	380,800
Common stock issued to acquire patent license	200,000	2,000	40,000	-	-	-	42,000
Proceeds on sale of common stock held by ZQX Advisors, LLC	-	-	24,138	-	-	-	24,138
Reversal of unrealized loss as of October 31, 2012 on investment in Videocon Industries Limited global depository receipts	-	-	-	-	-	653,684	653,684
Net loss	-	-	-	-	(10,080,086)	-	(10,080,086)
Balance, October 31, 2013	209,276,745	$ 2,092,767	$ 134,750,048	$ (5,000,000)	$ (135,163,408)	$ -	$ (3,320,593)

The accompanying notes are an integral part of this statement.

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ITUS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended October 31,	
	2013	2012
Cash flows from operating activities:		
Payments to suppliers, employees and consultants	$ (3,401,499)	$ (3,164,613)
Cash received from patent monetization and patent assertion	213,850	7,075
Dividends and interest received	851	16,790
Net cash used in operating activities	(3,186,798)	(3,140,748)
Cash flows from investing activities:		
Disbursements to acquire short-term investments in certificates of deposit	(250,000)	(1,200,000)
Proceeds from maturities of short-term investments in U.S. government securities and certificates of deposit	750,000	2,948,551
Other	(676)	(600)
Net cash provided by investing activities	499,324	1,747,951
Cash flows from financing activities:		
Proceeds from issuance of convertible debentures	1,765,000	750,000
Proceeds from sale of common stock, net of expense	1,050,405	-
Proceeds from exercise of warrants to purchase common stock	380,800	-
Proceeds from exercise of stock options	25,610	208,450
Proceeds received on sale of common stock held by ZQX Advisors, LLC	24,138	-
Net cash provided by financing activities	3 ,245,953	958,450
Net increase (decrease) in cash and cash equivalents	558,479	(434,347)
Cash and cash equivalents at beginning of year	339,693	774,040
Cash and cash equivalents at end of year	$ 898,172	$ 339,693
Reconciliation of net loss to net cash used in operating activities:		
Net loss	$ (10,080,086)	$ (4,252,799)
Stock option compensation to employees	2,693,121	614,914
Stock option compensation to consultants	1,105,018	110,351
Common stock issued to employees pursuant to stock incentive plans	-	927,356
Common stock issued to consultants	304,685	75,932
Common stock issued to acquire patent license	42,000	-
Common stock issued to pay interest on convertible debentures	98,739	-
Change in value of derivative liability	(475,189)	-
Loss on extinguishment of debt	343,517	-
Amortization of convertible debenture discount to interest expense	991,180	-
Impairment in value of investment in Videocon Industries Limited GDR's	1,184,710	-
Impairment in value of investment in Volga-Svet Ltd.	-	127,500
Other	9,753	7,956
Change in operating assets and liabilities:		
Accounts receivable	(175,000)	-
Prepaid expenses and other current assets	(78,320)	13,382
Accounts payable and accrued expenses	641,331	174,670
Royalties and contingent legal fees payable	207,743	-
Deferred revenue	-	(940,010)
Net cash used in operating activities	$ (3,186,798)	$ (3,140,748)
Supplemental disclosure of non-cash financing activities:		
Common stock issued upon conversion of debentures	$ 1,075,000	$ -
Fair value of debenture embedded conversion feature	$ 1,180,000	$ -
Relative fair value of convertible debenture warrant	$ 215,819	$ -

The accompanying notes are an integral part of these statements.

ITUS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND FUNDING

Description of Business

As used herein, "we," "us," "our," the "Company", "CopyTele" or "CTI" means CopyTele, Inc. and its wholly-owned subsidiaries. While in the past, the primary operations of the Company involved licensing in connection with the development of patented technologies, our principal operations are now the development, acquisition, licensing, and enforcement of patented technologies that are either owned or controlled by the Company. The Company currently owns or controls 9 patent portfolios. As part of our patent assertion activities and in the ordinary course of our business, the Company has initiated and will likely continue to initiate patent infringement lawsuits, and engage in patent infringement litigation. Since implementing our new business model in January of 2013, the Company has initiated 41 lawsuits in connection with 5 of our patent portfolios. Our primary source of revenue will come from licenses resulting from the unauthorized use of our patented technologies, including the settlement of patent infringement lawsuits. In fiscal year 2013, we entered into 4 revenue producing licenses from 2 of our patent portfolios. In addition to continuing to mine and monetize our existing patents, our wholly owned subsidiary, CTI Patent Acquisition Corporation, will continue to acquire patents and the exclusive rights to license and enforce patents from third parties.

Due to arrangements previously entered into by the Company, certain of our patents contain encumbrances which may negatively impact our patent monetization and patent assertion activities. Where we are able, we will take the steps necessary to remove any encumbrances that may inhibit our patent monetization and patent assertion activities. We have obtained and will continue 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 April 2013, CopyTele, through its wholly owned subsidiary, CTI Patent Acquisition Corporation, acquired the exclusive rights to license and enforce patent portfolios relating to (i) loyalty awards programs commonly provided by airlines, credit card companies, hotels, retailers, casinos, and others, and (ii) vinyl windows with integrated J-Channels, commonly used in modular buildings, mobile homes, and conventional, new construction. In exchange, the respective licensors will receive a percentage of all net amounts received from the licensing and enforcement of each patent portfolio.

In November 2013, CTI Patent Acquisition Corporation acquired 2 patent portfolios in the rapidly expanding area of unified communications relating to (i) the multicast Internet delivery of streaming data, media, and other content, within the confines of specialized virtual private networks, and (ii) the integration of telephonic participation in web-based audio/video conferences by creating a gateway between the Internet and cellular or traditional landline telephones.

We currently own or control 9 patent portfolios which we have identified for patent monetization: Encrypted Mobile Communication; ePaper® Electrophoretic Display; Internet Telephonic Gateway; J-Channel Window Frame Construction; Key Based Web Conferencing Encryption; Loyalty Conversion Systems; Micro Electro Mechanical Systems Display; Nano Field Emission Display; and VPN Multicast Communications.

ITUS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. 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. On January 28, 2013, CTI filed a separate lawsuit against AU Optronics Corp. ("AUO") and E Ink, the AUO/E Ink Lawsuit (as defined below). In June of 2013, CTI and AUO agreed to arbitrate CTI's charges in the AUO/E Ink Lawsuit. The Court also ordered E Ink to participate in the arbitration, for purposes of discovery. Because issues in the AUO/E Ink arbitration need to be resolved before the patent infringement case can proceed against E Ink, the Court dismissed the patent infringement case, without prejudice, meaning that CTI can re-file the patent infringement lawsuit, if necessary, following the arbitration.

On May 1, 2013, CTI's wholly owned subsidiary, Secure Web Conference Corporation, initiated a patent infringement lawsuit in the United States District Court for the Eastern District of New York against Microsoft Corporation, with respect to encryption technology utilized by Microsoft's SKYPE video conferencing service. On July 8, 2013, Secure Web Conference Corporation initiated similar lawsuits in the United States District Court for the Eastern District of New York against Citrix Systems and Logitech International.

On August 7, 2013, CTI's wholly owned subsidiary, J-Channel Industries Corporation, filed 8 separate patent infringement lawsuits in the United States District Court for the Eastern District of Tennessee, against Lowe's Companies, Clayton Homes, Pella Corporation, Jeld-Wen, Atrium Windows and Doors, Ply Gem Industries, RGF Industries, Tafco Corporation, Kinro Manufacturing, and Elixir Industries, all in connection with our patented J-Channel Window Frame Construction technology.

On August 20, 2013, CTI's wholly owned subsidiary, Loyalty Conversion System Corporation, filed 10 separate patent infringement lawsuits in the United States District Court for the Eastern District of Texas, against Alaska Airlines, American Airlines, Delta Airlines, Frontier Airlines, Hawaiian Airlines, JetBlue Airways, Southwest Airlines, Spirit Airlines, United Airlines, and U.S. Airways, all in connection with our Loyalty Conversion Systems patent portfolio.

On October 9, 2013, CTI's wholly owned subsidiary, J-Channel Industries Corporation, filed 19 patent infringement lawsuits in the Federal District Court for the Eastern District of Tennessee, in connection with its patented J-Channel Window Frame Construction technology. Defendants in the lawsuits consist of retailers and window manufacturers, including: Home Depot U.S.A., Inc.; Anderson Corporation; American Builders & Contractors Supply Co., Inc. (ABC Supply); Comfort View Products, LLC; Croft, LLC; Moss Supply Company; Wincore Window Company LLC; Vinylmax, LLC; Simonton Building Products, Inc.; HWD Acquisition, Inc. (Hurd Windows); Magnolia Windows and Doors, LLC; MGM Industries, Inc., MI Windows and Doors LLC; PGT Industries, Inc.; Quaker Window Products Co.; Sun Windows, Inc.; Weather Shield Manufacturing, Inc.; West Window Corporation; Woodgrain Millwork, Inc.; and YKK-AP American Inc.

The Company has engaged in and will continue to engage in patent infringement lawsuits in the ordinary course of its business operations. All litigation involves a significant degree of uncertainty, and we give no assurances as to the outcome of any lawsuit or lawsuits.

ITUS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In connection with the change in our operations, during fiscal year 2013 we disposed of approximately $2,144,000 of fully depreciated assets, which primarily related to research and development activities, and reduced our employee count from 19 to 7. In addition, we have vacated and returned a substantial portion of our facilities to the landlord for re-letting.

Agreements Relating to Previous Business Operations

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 ePaper® Electrophoretic Display patents and technology, in connection with AUO jointly developing products with CopyTele. Under the Nano Display License Agreement, we provided AUO with a non-exclusive, non-transferable, worldwide license of our Nano Field Emission Display patents and technology, in connection with AUO jointly developing products with CopyTele.

Under the AUO License Agreements, AUO had agreed to pay CopyTele an aggregate development and 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 terminated 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 Corporation ("E Ink") 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"). In June of 2013, CopyTele and AUO agreed to arbitrate CopyTele's charges, which we believe should result in a faster and more efficient adjudication. The Court also ordered E Ink to participate in the arbitration, for purposes of discovery. For more details on the AUO/E Ink Lawsuit, please see Note 8, "Commitments and Contingences – Litigation Matters" herein. We can give no assurance as to the outcome of this litigation.

Videocon Industries Limited and Transactions with Related Parties

In November 2007, we entered into a license agreement (the "Videocon License agreement") with Videocon Industries Limited ("Videocon"). Under the agreement, we provided Videocon with a non-transferable, worldwide license of our Nano Field Emission Display patented technology and 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. 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. No such license fee payments were received from Videocon during the fiscal years ended October 31, 2011 and 2012, and no additional license fee payments are anticipated. 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.

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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 loan payable to Mars Overseas is solely a liability of CopyTele International without recourse to CopyTele, Inc., its parent company. The loans are for a period of seven years, do not bear interest, and 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 amount under shareholders' deficiency in the accompanying consolidated balance sheets 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. However, as of October 31, 2013, if Mars Overseas and the Company each defaulted on its $5,000,000 loans that are due in November 2014 and each party foreclosed on the Securities, the fair value of the CopyTele Shares that the Company would acquire approximates the fair value of the Videocon GDRs that it would surrender.

Funding and Management's Plans

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. During the second quarter of fiscal 2013, the entire principal amount of these debentures was converted into 8,152,170 shares of common stock. For more details on these debentures, please see Note 6, "Convertible Debentures" herein.

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. During the third quarter of fiscal 2013, $325,000 principal amount of these debentures were converted into 2,166,775 shares of our common stock. For more details on these debentures, please see Note 6, "Convertible Debentures" herein.

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On April 23, 2013, we entered into a common stock purchase agreement (the "Stock Purchase Agreement") with Aspire Capital Fund LLC ("Aspire Capital"), which provides that Aspire Capital is committed to purchase up to an aggregate of $10 million of shares of our common stock over the two-year term of the agreement. In consideration for entering into the Stock Purchase Agreement, concurrently with the execution of the agreement, we issued to Aspire Capital 3,500,000 shares of our common stock with a fair value of $700,000 as a commitment fee. Upon execution of the Stock Purchase Agreement, Aspire Capital purchased 2,500,000 shares for $500,000. In order to sell any additional shares under the Stock Purchase Agreement, we were required to have a registration statement covering the shares issued to Aspire Capital declared effective by the Securities and Exchange Commission (the "SEC"). Such registration statement was declared effective by the SEC in June 2013.

Under the Stock Purchase Agreement there are two ways that we can elect to sell shares of common stock to Aspire Capital. On any business day we can select: (1) through a regular purchase of up to 200,000 shares (but not to exceed $200,000) at a known price based on the market price of our common stock prior to the time of each sale, and (2) through a volume-weighted average price, or VWAP, purchase of a number of shares up to 30% of the volume traded on the purchase date at a price equal to the lesser of (i) the closing sale price on the purchase date or (ii) 95% of the VWAP for such purchase date. The Company can only require a VWAP purchase if the closing sale price for our Common Stock on the notice day for the VWAP purchase is higher than $0.50. During the third and fourth quarters of fiscal year 2013 we sold an additional 2,880,000 shares of our common stock to Aspire Capital for approximately $592,000.

The number of shares covered by and the timing of, each purchase notice are determined by us, at our sole discretion. The Company cannot execute any sales under the Stock Purchase Agreement when the closing price of our common stock is less than $0.15 per share. Aspire Capital has no right to require any sales from us, but is obligated to make purchases as directed in accordance with the Stock Purchase Agreement. The Stock Purchase Agreement may be terminated by us at any time, at our discretion, without any cost or penalty. We incurred expenses of approximately $42,000 in connection with the execution of the Stock Purchase Agreement in addition to the 3,500,000 shares of our common stock we issued as a commitment fee.

On May 29, 2013, the Company offered the holders of the warrants issued in our February 2011 private placement, exercisable at a purchase price of $0.178 per share, the opportunity to exercise the warrants at a reduced exercise price of $0.16 per share (payable in cash) during the period ended July 15, 2013. In connection therewith, our Chairman, our Chief Financial Officer and director, and one other director of the Company exercised warrants to purchase 2,380,000 shares of our Common Stock and we received gross proceeds of approximately $381,000. Utilizing the Black-Scholes option-pricing model, the Company determined that the aggregate incremental fair value of the repriced warrants was immaterial and no charge was recorded. In addition, we issued 547,493 shares of our common stock upon the exercise, on a "cashless" basis, of warrants to purchase 1,400,000 shares at a purchase price of $0.178 per share.

In November 2013, we received aggregate gross proceeds of $3,500,000 from the issuance of a 6% convertible debenture due November 11, 2016 in a private placement, to a single institutional investor. The debenture pays interest quarterly and is convertible into shares of our common stock at a conversion price of $0.1892 per share on or before November 11, 2016. In conjunction with the issuance of the debenture, we issued a warrant to purchase 9,249,472 unregistered shares of our common stock. The warrant grants the holder the right to purchase one share of our common stock at the purchase price of $0.3784 per share on or before November 11, 2016. The debenture contains a beneficial conversion feature and a down round provision which we will evaluate in the first quarter of fiscal year 2014.

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During fiscal year 2013, cash used in operating activities was approximately $3,187,000. This resulted from payments to suppliers, employees and consultants of approximately $3,402,000, which was offset by cash of approximately $214,000 received from collections of accounts receivable related to patent licensing and enforcement, and approximately $1,000 of interest income received. Cash provided from investing activities during fiscal year 2013 was approximately $499,000, which primarily resulted from net proceeds from the maturities of short-term investments consisting of certificates of deposit of approximately $500,000. Our cash provided by financing activities during fiscal year 2013 was approximately $3,246,000, which resulted from cash of $1,765,000 received from the sale of convertible debentures in a private placement and approximately $1,050,000, net of expenses, received upon the sale of common stock, cash received from the exercise of warrants issued in February 2011 of approximately $381,000, proceeds received from ZQX Advisors, LLC ("ZQX") (in which CopyTele has a 19.5% ownership interest) from the sale by ZQX of CopyTele common stock held by ZQX of approximately $24,000 and cash received upon the exercise of employee stock options of approximately $26,000. As a result, our cash, cash equivalents, and short-term investments at October 31, 2013 increased $58,000 to approximately $898,000 from approximately $840,000 at the end of fiscal year 2012.

Total employee compensation expense during fiscal years 2013 and 2012 was approximately $4,072,000 and $3,001,000, respectively, including in fiscal year 2012 approximately $74,000 of expense relating to severance payments to terminated employees. During fiscal year 2013 and 2012, a significant portion of employee compensation consisted of the issuance of stock and stock options to employees in lieu of cash compensation. During the fourth quarter of fiscal 2012, management discontinued compensating employees through the issuance of stock. We recorded compensation expense for the fiscal years ended October 31, 2013 and 2012 of approximately $-0- and $927,000, respectively, for shares of common stock issued to employees. We recorded approximately $2,693,000 and $615,000 of stock-based compensation expense, related to stock options granted to employees and directors, during the fiscal years ended October 31, 2013 and 2012, respectively.

Based on currently available information, we believe that our existing cash and cash equivalents, together with expected cash flows from the Stock Purchase Agreement with Aspire Capital and expected cash flows from patent licensing and enforcement, and other potential sources of cash flows will 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 the Stock Purchase Agreement and from patent licensing and enforcement activities are insufficient to satisfy our liquidity requirements, we may seek to sell equity securities or obtain loans from various financial institutions where possible. The sale of additional equity securities or convertible debt 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. We can also give no assurance that we will have sufficient funds to repay our outstanding indebtedness. 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of CopyTele, Inc. and its wholly owned subsidiaries. All intercompany transactions have been eliminated.

Revenue Recognition

Revenue is recognized when (i) persuasive evidence of an arrangement exists, (ii) all obligations have been substantially performed pursuant to the terms of the arrangement, (iii) amounts are fixed or determinable, and (iv) the collectability of amounts is reasonably assured.

Patent Monetization and Patent Assertion

In general, revenue arrangements provide for the payment of contractually determined fees in consideration for the grant of certain intellectual property rights for patented technologies owned or controlled by our operating subsidiaries. These rights typically include some combination of the following: (i) the grant of a non-exclusive, retroactive and future license to manufacture and/or sell products covered by patented technologies owned or controlled by our operating subsidiaries, (ii) a covenant-not-to-sue, (iii) the release of the licensee from certain claims, and (iv) the dismissal of any pending litigation. The intellectual property rights granted are perpetual in nature, extending until the expiration of the related patents. Pursuant to the terms of these agreements, our operating subsidiaries have no further obligation with respect to the grant of the non-exclusive retroactive and future licenses, covenants-not-to-sue, releases, and other deliverables, including no express or implied obligation on our operating subsidiaries' part to maintain or upgrade the technology, or provide future support or services. Generally, the agreements provide for the grant of the licenses, covenants-not-to-sue, releases, and other significant deliverables upon execution of the agreement. As such, the earnings process is complete and revenue is recognized upon the execution of the agreement, when collectability is reasonably assured, and when all other revenue recognition criteria have been met.

Display Technology Development and License Fees

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 development and license fees of $3 million, of aggregate development and license fees of up to $10 million. The additional $7 million in development and license fees were payable upon completion of certain conditions for the respective technologies. We have 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 development and 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 development and license fees as either deferred revenue or revenue as it is considered contingent revenue. 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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Prior to initiation of the AUO/E Ink Lawsuit, at each reporting period we assessed the progress in completing our performance obligations under the AUO License Agreements and recognized development and license fee revenue over the remaining estimated period that we expected to complete the conditions for the respective technologies. Commencing in the fourth quarter of fiscal year 2012, revenue recognition under the AUO License Agreements was suspended pending resolution of the AUO/E Ink Lawsuit. For more details on the AUO/E Ink Lawsuit, please see Note 8, "Commitments and Contingencies – Litigation Matters" herein.

During the fiscal years ended October 31, 2013 and 2012, we recognized approximately $-0- and $940,000, respectively, of development and license fee revenue from AUO. Development and license fee payments received from AUO which are in excess of the amounts recognized as revenue (approximately $1,187,000 as of October 31, 2013 and 2012) are recorded as non-refundable deferred revenue on the accompanying consolidated balance sheets.

Inventor Royalties and Contingent Legal Fees

Inventor royalties and contingent legal fees are expensed in the consolidated statements of operations in the period that the related revenues are recognized.

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 and liabilities, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as set forth below. 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 and liabilities recorded in the accompanying consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Financial instruments 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 instruments 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 instruments 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 instrument.

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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, 2013:

	Level 1	Level 2	Level 3	Total
Money market funds – Cash and cash equivalents	$ 898,172	$ -	$ -	$ 898,172
Videocon Industries Limited global depository receipts	4,197,341	-	-	4,197,341
Total financial assets	$ 5,095,513	$ -	$ -	$ 5,095,513

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	$ 5,568,060	$ -	$ -	$ 5,568,060

We did not have any financial liabilities that were required to be measured at fair value on a recurring basis as of October 31, 2012. The following table presents the hierarchy for our financial liabilities measured at fair value on a recurring basis as of October 31, 2013:

	Level 1	Level 2	Level 3	Total
Derivative liability	$ -	$ -	$ 540,000	$ 540,000

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The following table sets forth a summary of the changes in the fair value of the Company's Level 3 financial liabilities that are measured at fair value on a recurring basis:

	For the Year Ending October 31, 2013
Beginning balance	$ -
Fair value of bifurcated conversion feature issued	1,180,000
Change in fair value of bifurcated conversion feature	(475,189)
Reduction in value of bifurcated conversion feature upon Conversion of debenture	(164,811)
Ending balance	$ 540,000

The bifurcated conversion feature is accounted for as a derivative liability and is measured at fair value using a Monte Carlo simulation model and is classified within Level 3 of the valuation hierarchy.

The significant assumptions and valuation methods that the Company used to determine fair value and the change

in fair value of the Company's derivative financial instrument are discussed in Note 6, "Convertible Debentures". The development and determination of the unobservable inputs for Level 3 fair value measurements and fair value calculations are the responsibility of the Company's Principal Financial Officer with support from the Company's consultants.

In accordance with the provisions of ASC 815, the Company presents the bifurcated conversion feature liability at fair value in its consolidated balance sheet, with the corresponding changes in fair value, if any, recorded in the Company's consolidated statements of operations for the applicable reporting periods. As disclosed in Note 6, the Company computed the fair value of the derivative liability at the date of issuance and the reporting date of October 31, 2013 using the Monte Carlo simulation model.

The Company developed the assumptions that were used as follows: The stock price on the valuation date of the Company's common stock was derived from the trading history of the Company's common stock. The stock premium for liquidity was computed as the premium required to adjust for the effect of the additional time that it would be expected to take for the market to absorb the converted shares and warrant exercises, given the Company's current trading volume. The term represents the remaining contractual term of the derivative; the volatility rate was developed based on analysis of the Company's historical volatility**;** the risk free interest rate was obtained from publicly available US Treasury yield curve rates; the dividend yield is zero because the Company has not paid dividends and does not expect to pay dividends in the foreseeable future.

Our non-financial assets 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. The estimated fair value of accounts payable and accrued expenses 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 and related warrants. Cash and cash equivalents are stated at carrying value which approximates fair value.

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Cash and Cash Equivalents

Cash equivalents consists of highly liquid, short term investments with original maturities of three months or less when purchased.

Short-term Investments

At October 31, 2013, we did not have any short-term investments. At October 31, 2012, we had certificates of deposit with maturities greater than 90 days when acquired of $500,000 that were classified as short-term investments and reported at fair value.

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. In evaluating our investment in Videocon GDRs at October 31, 2013, we determined that, based on both the duration and the continuing magnitude of the market price decline, there was an other than temporary impairment in our investment in Videocon GDRs. In evaluating our investment in Volga-Svet Ltd. ("Volga") at October 31, 2013, we determined that, the discontinuation of funding from CopyTele for contract research and development work and the lack of available financial information from Volga, impaired the value of our investment in Volga. We will record an additional impairment charge if and when we believe any such investments have experienced an additional decline that is other than temporary. See Note 4 for further discussion.

Convertible Instruments

The Company accounts for hybrid contracts that feature conversion options in accordance with applicable generally accepted accounting principles ("GAAP"). ASC 815 "Derivatives and Hedging Activities," ("ASC 815") requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria includes circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

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Conversion options that contain variable settlement features such as provisions to adjust the conversion price upon subsequent issuances of equity or equity linked securities at exercise prices more favorable than that featured in the hybrid contract generally result in their bifurcation from the host instrument.

The Company accounts for convertible instruments, when the Company has determined that the embedded conversion options should not be bifurcated from their host instruments, in accordance with ASC 470-20 "Debt with Conversion and Other Options" ("ASC 470-20"). Under ASC 470-20 the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. The Company accounts for convertible instruments (when the Company has determined that the embedded conversion options should be bifurcated from their host instruments) in accordance with ASC 815. Under ASC 815, a portion of the proceeds received upon the issuance of the hybrid contract are allocated to the fair value of the derivative. The derivative is subsequently marked to market at each reporting date based on current fair value, with the changes in fair value reported in results of operations.

The conversion feature of the convertible debenture issued on January 25, 2013 qualified as an embedded derivative instrument and was bifurcated from the host convertible debenture. Accordingly, this instrument has been classified as a derivative liability in the accompanying consolidated balance sheet as of October 31, 2013. Derivative liabilities are initially recorded at fair value and are then re-valued at each reporting date, with changes in fair value recognized in earnings during the reporting period.

Common Stock Purchase Warrants

The Company classifies as equity any contracts that (i) require physical settlement or net-share settlement or (ii) provides a choice of net-cash settlement or settlement in the Company's own shares (physical settlement or net-share settlement) providing that such contracts are indexed to the Company's own stock as defined in ASC 815-40 "Contracts in Entity's Own Equity". The Company classifies as assets or liabilities any contracts that (i) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the Company's control) or (ii) gives the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). The Company assesses classification of common stock purchase warrants and other free standing derivatives at each reporting date to determine whether a change in classification between assets and liabilities or equity is required.

Research and Development Expenses

Research and development expenses are expensed in the period incurred. We discontinued all research and development activity during the fourth quarter of fiscal year 2012.

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 individuals 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 in ASC 718 "Stock Compensation" ("ASC 718"). In accordance with ASC 718, we estimate the fair value of service based options and performance based options on the date of grant, using the Black-Scholes pricing model. For options vesting if the trading price of the Company's common stock exceeds two separate price targets we use a Monte Carlo Simulation in estimating the fair value at grant date. We recognize compensation expense for stock option awards over the requisite or implied service period of the grant. With respect to performance based awards, compensation expense is recognized when the performance target is deemed probable. We recorded stock-based compensation expense, related to stock options granted to employees and directors, of approximately $2,693,000 and $615,000, during the twelve months ended October 31, 2013 and 2012, respectively.

Included in stock-based compensation cost for employees and directors during the twelve months ended October 31, 2013 and 2012 was approximately $2,314,000 and $7,000, respectively, related to the amortization of compensation cost for stock options granted in prior periods but not yet vested. As of October 31, 2013, 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 $1,705,000 which will be recognized over a weighted-average period of 1.8 years and related to options subject to market conditions of approximately $647,000 which will be recognized over a weighted-average period of 1.0 year.

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 service based options and performance based options at each reporting period using the Black-Scholes pricing model. For options vesting if the trading price of the Company's common stock exceeds two separate price targets, we estimate the fair value at each reporting period using a Monte Carlo Simulation. We recognize compensation expense for service based options and options vesting if the trading price of the Company's common stock exceeds two separate price targets, over the requisite or implied service period of the grant. For performance based options we recognize compensation expense upon achievement of performance. We recorded stock-based compensation expense for stock options granted to consultants during the years ended October 31, 2013 and 2012 of approximately $1,105,000 and $110,000, respectively.

Included in stock-based compensation cost for consultants during the twelve months ended October 31, 2013 and 2012 was approximately $1,105,000 and $7,000, respectively, related to the amortization of compensation cost for stock options granted in prior periods but not yet vested. As of October 31, 2013, 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 $849,000 which will be recognized over a weighted-average period of 1.9 years and related to options subject to market conditions of approximately $522,000 which will be recognized over a weighted-average period of 2.3 years

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. The fair value of stock options granted to consultants is determined on an individual basis. The stock options we granted during the year ended October 31, 2013 consisted of awards of options with 5-year terms, which vest over one year and options with 10-year terms which vest in three annual installments commencing on the date of grant or over a nine month period. The stock options we granted during the year ended October 31, 2012 consisted of awards of options with either 5-year terms, which vest 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 following weighted average assumptions were used in estimating the fair value of stock options granted during the years ended October 31, 2013 and 2012.

	For the Year Ended October 31,	
	2013	2012
Weighted average fair value at grant date	$ 0.17	$ 0.18
Valuation assumptions:		
Expected life (years)	5.26	5.75
Expected volatility	116.50%	109%
Risk-free interest rate	.73%	1.16%
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 performance targets. 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 change 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 was 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 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 from historical options which vested immediately to terms including vesting periods of up to three years.

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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.

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

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, 2013 and 2012, were options to purchase 63,122,845 shares and 60,670,045 shares, respectively, warrants to purchase 9,878,759 shares and 7,500,000 shares, respectively, and debentures convertible into 9,60,4820 shares and 8,152,170 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 stock-based compensation, asset impairment evaluations, tax assets and liabilities, license fee revenue, the allowance for doubtful accounts, depreciation lives and other contingencies. Actual results could differ from those estimates.

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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. The adoption of these new disclosure requirements did not 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 adopted ASU 2012-04 on February 1, 2013.The adoption of ASU 2012-04 did not 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 adopted ASU 2012-03 on February 1, 2013. The adoption of ASU 2012-03 did not 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.Management reviews our accounts receivable and other receivables for potential doubtful accounts and maintains an allowance for estimated uncollectible amounts. Our policy is to write-off uncollectable amounts at the time it is determined that collection will not occur. One licensee accounted for 90% of revenue during fiscal year 2013 and 100% of accounts receivable at October 31, 2013. During fiscal year 2012, one licensee accounted for 100% of revenue.

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4. INVESTMENTS

Short-term Investments

At October 31, 2013 we had $-0- of certificates of deposits. At October 31, 2012 we had of certificates of deposit of $500,000.

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, 2013, 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 $5,382,000, and the uncertainty of its recovery, a write-down of the investment of approximately $1,185,000 should be recorded as of October 31, 2013, and a new cost basis of approximately $4,197,000 should be established. An other than temporary impairment of approximately $12,003,000, on a cumulative basis, has been recorded as of October 31, 2013. The fair value of investment in Videocon as of October 31, 2013 and 2012, the other than temporary impairment for the year ended October 31, 2013, and unrealized loss as of October 31, 2012, are as follows:

	Investment in Videocon
Fair Value as of October 31, 2011	$ 5,382,051
Unrealized loss	(653,684)
Fair Value as of October 31, 2012	$ 4,728,367
Reversal of unrealized loss as of October 31, 2012	653,684
Other than temporary impairment	(1,184,710)
Fair Value as of October 31, 2013	$ 4,197,341

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

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

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. On January 21, 2013, we terminated the Engagement Agreement with ZQX, but currently retain our 19.5% interest in ZQX. We have classified our interest in ZQX of approximately $48,000 as a reduction of additional paid-in capital within shareholders' deficiency since this investment in ZQX consists entirely of our equity securities. During the year ended October 31, 2013, we received approximately $24,000 representing our share of the proceeds from the sale of CopyTele common stock by ZQX.

5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued liabilities consist of the following as of:

	October 31,	
	2013	2012
Accounts payable	$ 527,208	$ 304,523
Payroll and related expenses	345,484	103,451
Accrued litigation expense, consulting and other professional fees	248,730	177,408
Accrued other	155,048	49,757
	$ 1,276,470	$ 635,139

6. CONVERTIBLE DEBENTURES

Convertible Debenture due September 2016

In September 2012, the Company 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 the Company's current Chairman and then Chief Executive Officer and one other director of the Company. The debentures paid interest quarterly and were convertible into shares of our common stock at a conversion price of $0.092 per share on or before September 12, 2016. The Company recorded a discount to the carrying amount of the debentures of approximately $717,000 related to the debentures' beneficial conversion feature. The Company was permitted to prepay the debentures at any time without penalty upon 30 days prior notice. The Company also had the option to pay interest on the debentures in common stock. During the second quarter of fiscal 2013, the entire $750,000 principal amount of these debentures were converted into 8,152,170 shares of common stock and an additional 100,725 shares were issued in payment of approximately $9,300 of accrued interest through the conversion date. The conversion of the debentures resulted in a charge to interest expense of approximately $717,000 during the second quarter of fiscal 2013.

Convertible Debenture due January 2015

In January 2013, the Company received aggregate gross proceeds of $1,765,000 from the issuance of 8% convertible debentures due January 25, 2015 ("Convertible Debenture due January 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. The embedded conversion feature has certain weighted average anti-dilution protection provisions which would be triggered if the Company issues its common stock, or certain common stock equivalents, (as defined) at a price below $0.15 per share. The Company has the option to pay any interest on the debentures in common stock based on the average of the closing prices of our common stock for the 10 trading days immediately preceding the interest payment date. The Company also has the option to pay any interest on the debentures with additional debentures. 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 is at least $.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, the Company issued warrants (the "Convertible Debenture Warrant") to purchase 5,882,745 shares of its common stock. Each warrant grants the holder the right to purchase one share of the Company's common stock at the purchase price of $0.30 per share on or before January 25, 2016. The Convertible Debenture Warrant may be exercised on a cashless basis only if there is not an effective registration statement covering such shares.

The Company determined, based upon authoritative guidance, that the conversion feature embedded within the Convertible Debenture due January 2015 should be valued separately and bifurcated from the host instrument and accounted for as a free-standing derivative liability and that the Convertible Debenture Warrant should also be valued and accounted for separately as an equity instrument.

The Company determined the fair value of each of the three elements included within the Convertible Debenture due January 2015. The debenture portion (without the conversion feature) bearing interest at 8% was determined to be a debt instrument with a fair value of $1,490,000. The embedded conversion feature was determined to be a derivative liability with a fair value of $1,180,000. The Convertible Debenture Warrant was determined to be an equity instrument with a fair value of $370,000. The Company determined the fair value of each of these instruments based upon the assumptions and methodologies as discussed below.

Since the Convertible Debenture Warrant was determined to be an equity instrument, the Company first computed the relative fair value of the Convertible Debenture due January 2015 (including the value of its conversion feature) with a fair value of $2,670,000 and the Convertible Debenture Warrant with a fair value of $370,000. Accordingly, the relative fair value of the Convertible Debenture Warrant and the Convertible Debenture due January 2015 (including the value of its conversion feature) was determined to be $214,819 and $1,550,181, respectively. Then, from the relative fair value of the Convertible Debenture due January 2015, the Company deducted in full the fair value of the embedded conversion feature of $1,180,000. The discount of $1,394,819 applied to the face value of the Convertible Debenture due January 2015 consists of the sum of the relative fair value of the Convertible Debenture Warrant of $214,819 and the full value of the bifurcated conversion option derivative liability of $1,180,000. The Convertible Debenture due January 2015 was recorded at a net value of $370,181, representing its face value of $1,765,000, less aggregate discounts for the derivative liability and warrant of $1,394,819, as summarized in the table below.

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		$ 1,765,000
Face value of Convertible Debenture due January 2015		
Fair value of embedded conversion feature	$ 1,180,000	
Relative fair value of Convertible Debenture Warrant	214,819	
Discount	$ 1,394,819	(1,394,819)
Proceeds attributable to the Convertible Debenture due January 2015		$ 370,181

Accordingly, the Company accounted for the full amount of the discount as an offset to the Convertible Debenture due January 2015, amortizable under the effective interest method over the term of the debenture.

The Company calculated the fair value of the embedded conversion feature of the Convertible Debenture due January 2015 using a Monte Carlo simulation, with the observable assumptions as provided in the table below. The significant unobservable inputs used in the fair value measurement of the reporting entity's embedded conversion feature are expected stock prices, levels of trading and liquidity of the Company stock, probability of default of the host instrument, and loss severity in the event of such default. Significant increases in the expected stock prices and expected liquidity would result in a significantly higher fair value measurement. Significant increases in either the probability or severity of default of the host instrument would result in a significantly lower fair value measurement.

	As of January 25, 2013
Stock price on valuation date	$ 0.21
Conversion price	$ 0.15
Stock premium for liquidity	57%
Term (years)	2.00
Expected volatility	110%
Weighted average risk-free interest rate	0.3%
Trials	100,000
Aggregate fair value	$ 1,180,000

The Company calculated the fair value of the Convertible Debenture Warrant issued on January 25, 2013 using the Black-Scholes option pricing model with the following assumptions:

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	As of January 25, 2013
Stock price on valuation date	$ 0.21
Exercise price	$ 0.30
Stock premium for liquidity	38%
Term (years)	3.00
Warrant exercise trigger price	41%
Expected volatility	95%
Weighted average risk-free interest rate	0.4%
Number of warrants	5,882,745
Aggregate fair value	$ 370,000

The Company determined the fair value of the Convertible Debenture due January 2015 by preparing an analysis of discounted cash flows, using a discount rate of 18.6%, which the Company deemed appropriate given the Company's current risk scenarios.

The derivative liability related to the embedded conversion feature is revalued at each reporting period as well as on the date of all conversions, as discussed, below. As of October 31, 2013, the Company determined the fair value of the derivative liability to be $540,000, and accordingly, during the year ended October 31, 2013, the Company recorded a gain on the change in the fair value of the derivative liability of approximately $475,000.

As of October 31, 2013, the Company calculated the fair value of the embedded conversion feature of the Convertible Debenture due January 2015 using a Monte Carlo simulation, with the observable assumptions as provided in the table below. The significant unobservable inputs used in the fair value measurement of the reporting entity's embedded conversion feature are expected stock prices, levels of trading and liquidity of the Company stock, probability of default of the host instrument, and loss severity in the event of such default. Significant increases in the expected stock prices and expected liquidity would result in a significantly higher fair value measurement. Significant increases in either the probability or severity of default of the host instrument would result in a significantly lower fair value measurement.

	As of October 25, 2013
Stock price on valuation date	$ 0.195
Conversion price	0.15
Stock premium for liquidity	42%
Term (years)	1.25
Expected volatility	115%
Weighted average risk-free interest rate	0.3%
Trials	100,000
Aggregate fair value	$ 540,000

The amortization of debt discount related to the Convertible Debenture due January 2015 was approximately $273,000 for the year ended October 31, 2013.

During the year ended October 31, 2013, holders of $325,000 and $5,878 of principal and interest, respectively, of the Convertible Debenture due January 2015, converted their holdings into an aggregate of 2,166,775 and 20,125 shares of Common Stock. In connection with this conversion, the Company recorded a loss on extinguishment of debt in the amount of $343,517. This loss represents the excess of the fair value of Common Stock on the date of conversion over the net book value of the debt on the date of conversion. Since the conversion feature on the Convertible Debenture due January 2015 was determined to be a derivative liability, the net book value includes both the value of the debt, net of discount, and the portion of the derivative liability related to its conversion feature.

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The loss on extinguishment of debt was calculated as follows:

	Year Ended October 31, 2013
Face value of debt converted	$ 325,000
Less: discount	(229,964)
Plus: value of derivative liability	164,811
Net book value of debt converted	$ 259,847
Fair value of common stock issued	603,364
Loss on extinguishment of debt	$ 343,517

In connection with the issuance of the Convertible Debenture due January 2015, the Company provided compensation to the placement agent consisting of a cash fee of $41,400 and a warrant for the purchase of 276,014 shares of the Company's common stock ("Placement Agent Warrant"). The terms of the Placement Agent Warrant are identical to the terms of the Convertible Debenture Warrant, and using Black-Scholes, upon issuance, was determined to have a fair value of $17,360. Assumptions for the valuation of the Placement Agent Warrant were identical to those provided above for the Convertible Debenture Warrant. In addition, issuance costs included legal fees of approximately $25,000.

The sum of the issuance costs was $83,760, and this cost was allocated as provided below:

Attributable to:	Accounting Treatment	Amount
The embedded conversion feature (derivative)	Expensed as incurred	$ 55,999
The 8% Convertible Debenture Warrant	Charged to additional paid-in capital	10,194
The 8% Convertible Debenture	Recorded as deferred issuance costs and amortized under the interest method over the term of the 8% Convertible Debenture	17,567
Total		$ 83,760

In connection with the issuance of the Convertible Debenture due January 2015, on April 24, 2013, the Company prepared and filed a registration statement registering for resale the shares of its common stock which may be issued upon the conversion of the debenture consistent with the terms and conditions of the registration rights agreement the Company entered into with the holders of the registrable shares listed above. The registration statement was declared effective by the SEC on June 19, 2013.

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The Company has agreed to maintain the effectiveness of the registration statement through the earlier of three years from the date of the issuance of the Convertible Debenture due January 2015 or until Rule 144 of the Securities Act is available to the holders to allow them to sell all of their registrable securities thereunder.

7. SHAREHOLDERS' EQUITY

In November 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, and in October 2013, our shareholders approved an amendment to our certificate of incorporation to increase the authorized number of shares of common stock from 300,000,000 to 600,000,000.

Common Stock Issuances

We account for stock awards granted to employees and consultants based on their grant date fair value. During the years ended October 31, 2013 and 2012, we issued -0- shares and 7,100,818 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 years ended October 31, 2013 and 2012 of approximately $-0- and $927,000, respectively, for shares of common stock issued to employees. In addition during fiscal years 2013 and 2012, we issued 1,345,000 shares and 457,172 shares, respectively, of common stock to consultants for services rendered, including -0- shares and 457,172 shares pursuant to the 2003 Share Plan and 2010 Share Plan. We recorded consulting expense for the years ended October 31, 2013 and 2012 of approximately $305,000 and $76,000, 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, 2013 and 2012, there was no preferred stock issued and outstanding.

Stock Option Plans

As of October 31, 2013, 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.

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, from August 2012 through November 2012, by the Executive Committee of the Board of Directors and since November 2012, by 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. In accordance with the provisions of the 2003 Share Plan, the plan terminated with respect to the grant of future options on April 21, 2013.

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Information regarding the 2003 Share Plan for the two years ended October 31, 2013 is as follows:

	Shares	Current Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Options Outstanding at October 31, 2011	17,552,045	$0.81	
Granted	60,000	$0.07	
Forfeited	(195,000)	$0.89	
Cancelled	(1,067,000)	$0.86	
Options Outstanding and Exercisable at October 31, 2012	16,350,045	$0.72	
Exercised	(130,000)	$0.18	
Forfeited	(581,200)	$0.74	
Options Outstanding and Exercisable at October 31, 2013	15,638,845	$0.72	$95,000

The following table summarizes information about stock options outstanding and exercisable under the 2003 Share Plan as of October 31, 2013:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$0.072- $0.37	1,860,000	3.20	$0.15
$0.43 - $0.70	5,384,770	1.95	$0.60
$0.74 - $0.92	6,139,075	2.81	$0.85
$1.04 - $1.46	2,255,000	2.24	$1.10

During the fourth quarter of fiscal 2012 the Company decreased the option price for options to purchased 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.

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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, from August 2012 through November 2012, by the Executive Committee of the Board of Directors, and since November 2012 by 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, 2013, the 2010 Share Plan had 1,075,020 shares available for future grants. Information regarding the 2010 Share Plan for the two years ended October 31, 2013 is as follows:

	Shares	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Options Outstanding at October 31, 2011	1,050,000	$0.31	
Granted	3,060,000	$0.19	
Exercised	(1,290,000)	$0.16	
Options Outstanding at October 31, 2012	2,820,000	$0.25	
Granted	180,000	$0.20	
Exercised	(16,000)	$0.16	
Options Outstanding at October 31, 2013	2,984,000	$0.245	$16,290
Options Exercisable at October 31, 2013	2,257,750	$0.254	$16,290

The following table summarizes information about stock options outstanding under the 2010 Share Plan as of October 31, 2013:

	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	2,984,000	5.73	$0.245	2,257,750	5.10	$0.254

In addition to options granted under the 2003 Share Plan and the 2010 Share Plan, in September 2012, the Board of Directors approved the grant of stock options to purchase 41,500,000 shares and, during year ended October 31, 2013, the Board of Directors approved the grant of stock options to purchase 3,000,000 shares.

Of the stock options granted in September 2012, nonqualified options to purchase 40,000,000 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 who is also a Director. 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) and have a term of ten years. 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, which was satisfied in the fourth quarter of fiscal year 2013, and two stock price targets, which were not achieved as of October 31, 2013 and 2012. As of October 31, 2013, the outstanding options to purchase 40,000,000 shares had an intrinsic value of $-0-. As of October 31, 2013, 13,888,889 of these stock options were exercisable with an aggregate intrinsic value of approximately $-0-. These stock options otherwise have the same terms and conditions as options granted under the Company's 2010 Share Incentive Plan.

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The remaining nonqualified stock options granted in September 2012 to purchase 1,500,000 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 an intrinsic value as of July 31, 2013 of $-0-. 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, 2013, 1,000,000 options were exercisable with an aggregate intrinsic value of $-0-. These stock options otherwise have the same terms and conditions as options granted under the Company's 2010 Share Incentive Plan.

During the year ended October 31, 2013, nonqualified stock options to purchase 3,000,000 shares were granted to our outside directors for service rendered to our Company. Of these options,

(a) In November 2012, nonqualified stock options to purchase 1,000,000 shares were issued to one of our directors as additional compensation for service in recruiting the Company's new management team. These options have an exercise price of $0.211 (the average of the high and low sales price on date of grant) and vest 333,334 shares upon grant and 333,333 shares in two annual installments commencing November 30, 2013.

(b) In February 2013, nonqualified stock options to purchase 1,000,000 shares were issued to the Chairman of the Board. These stock options have an exercise price of $0.235 (the average of the high and low sales price on date of grant) and vest 333,334 shares upon grant and 333,333 shares in two annual installments commencing February 15, 2014.

(c) In March 2013, nonqualified stock options to purchase an aggregate of 1,000,000 shares were granted to the Company's three outside directors. Each of these stock options has an exercise price of $0.195 (the average of the high and low sales price on date of grant) and vest in four equal quarterly installments.

As of October 31, 2013, the options to purchase 3,000,000 shares had an intrinsic value of $-0-, and the portion exercisable of 1,416,668 shares had an intrinsic value of approximately $-0-. These options otherwise have the same terms and conditions as options granted under the Company's 2010 Share Incentive Plan.

The following table summarizes information about the above stock options outstanding that were not granted under the 2003 Share Plan or the 2010 Share Plan as of October 31, 2013:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
$0.195-$0.235	44,500,000	8.91	$0.22	16,305,557	8.92	$0.22

ITUS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. COMMITMENTS AND CONTINGENCIES

Leases

We lease space at our principal location for office facilities. The current lease is for approximately 7,500 square feet and expires on November 30, 2014. During the first quarter of fiscal 2013 we began to vacate and return a substantial portion of our facilities to the landlord. At October 31, 2013 a portion of our prior facilities have been leased to new tenants. As of October 31, 2013 our non-cancelable operating lease commitments for the years ending October 31, 2014 and 2015 were approximately $228,000 and $19,000, respectively. Rent expense for the years ended October 31, 2013 and 2012, was approximately $360,000 and $305,000, respectively. At October 31, 2013 we have accrued an expense of approximately $65,000 related to future rents of unused leased facilities.

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. However, it is reasonably possible that the Company will not prevail on its damages claims in arbitration. Pursuant to the terms of the related arbitration agreement, the Company may be liable for AUO's attorney's fees, which may exceed $1 million, if the Company does not prevail.

Commencing in the fourth quarter of fiscal year 2012 the operations of the Company involved patent licensing and enforcement in connection with the unauthorized use of patented technologies. 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.

ITUS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. EMPLOYEE PENSION PLAN

We adopted a qualified noncontributory defined contribution pension plan, effective November 1, 1983, covering all of our 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, 2013 and 2012.

10. INCOME TAXES

Income tax provision (benefit) consists of the following:

	Year Ended October 31,	
	2013	2012
Federal:		
Current	$ -	$ -
Deferred	(2,489,000)	992,000
State:		
Current	-	-
Deferred	3,000	32,000
Foreign:		
Current	-	-
Adjustment to valuation allowance related to net deferred tax assets	2,486,000	(1,024,000)
	$ -	$ -

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset, net, at October 31, 2013 and 2012, are as follows:

	2013	2012
Long-term deferred tax assets:		
Federal and state NOL and tax credit carryforwards	$ 25,689,000	$ 24,284,000
Deferred Compensation	3,484,000	2,255,000
Deferred Revenue	404,000	404,000
Other	300,000	448,000
Subtotal	29,877,000	27,391,000
Less: valuation allowance	(29,877,000)	(27,391,000)
Deferred tax asset, net	$ -	$ -

As of October 31, 2013, we had tax net operating loss and tax credit carryforwards of approximately $73,957,000 and $1,198,000, respectively, available, within statutory limits (expiring at various dates between 2014 and 2033), 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.

ITUS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We had tax net operating loss and tax credit carryforwards of approximately $73,834,000 and $13,000, respectively, as of October 31, 2013, 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 2014 and 2033 and the tax credit carryforwards expire between 2014 and 2028.

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 of 0% is attributable to certain permanent differences and a change in the valuation allowance. The following is a reconciliation of income taxes at the Federal statutory tax rate to income tax expense (benefit):

	Year Ended October 31,			
	2013		2012	
Income tax benefit at U.S.Federal statutory income tax rate	$ (3,427,000)	(34.00%)	$ (1,446,000)	(34.00%)
State income taxes	(6,000)	(.06%)	(2,000)	(.06%)
Permanent differences	294,000	2.92%	8,000	0.19%
Credits	-	-	(63,000)	(1.48%)
Expiring net operating losses, credits and other	250,000	2.48%	2,527,000	59.44%
Foreign rate difference on impairment	403,000	4.00	-	-
Change in valuation allowance	2,486,000	24.66%	(1,024,000)	(24.09%)
Income tax provision	$ -	0%	$ -	0%

During the two fiscal years ended October 31, 2013, we incurred no Federal and no State income taxes. We have no unrecognized tax benefits as of October 31, 2013 and 2012 and we account for interest and penalties related to income tax matters in marketing, general and administrative expenses. Tax years to which our net operating losses relate remain open to examination by Federal authorities and other jurisdictions to the extent which the net operating losses have yet to be utilized.

11. SUBSEQUENT EVENT

In connection of the acquisition of patents in November 2013, we incurred an obligation, due in November 2017, in the amount of $5,000,000, payable in cash or our common stock, which amount will be reduced by the aggregate of royalty payments during the period, if any.

12. 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 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.

ITUS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Geographic Information

We have generated revenue both domestically (United States) and internationally. International revenue is based on the country in which the licensee is located. For the years ended October 31, 2013 and 2012, revenue by geographic area are as follows:

Geographic Data	2013	2012
Net revenue:		
United States	$ 388,830	$ -
Taiwan	-	940,010
	$ 388,830	$ 940,010

Accounts receivable at October 31, 2013 are from a United States licensee.

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ITUS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited) July 31, 2014	(Unaudited) Pro forma at July 31, 2014 (1)	October 31, 2013
ASSETS			
Current assets:			
Cash and cash equivalents	$ 3,651,564	$ 3,651,564	$ 898,172
Short-term investments in certificates of deposit	2,550,000	2,550,000	-
Accounts receivable	133,333	133,333	175,000
Prepaid expenses and other current assets	100,580	100,580	160,646
Total current assets	6,435,477	6,435,477	1,233,818
Investment in Videocon Industries Limited global depository receipts, at fair value	4,150,970	-	4,197,341
Patents, net of accumulated amortization of $233,129	2,802,982	2,802,982	-
Property and equipment, net of accumulated depreciation of $47,925 and $45,654, respectively	9,906	9,906	8,379
Total assets	$ 13,399,335	$ 9,248,365	$ 5,439,538
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	$ 1,304,571	$ 1,153,488	$ 1,276,470
Royalties and contingent legal fees payable	152,400	152,400	207,743
Derivative liability, at fair value	1,900,000	-	540,000
Loan payable to related party	5,000,000	-	-
Deferred revenue, non-refundable license fees	-	-	1,187,320
Total current liabilities	8,356,971	1,305,888	3,211,533
Contingencies (Note 12)			
Convertible debentures due November 2016, net of discount of $1,743,858	1,756,142	-	-
Convertible debentures due January 2015, net of discount of $891,402	-	-	548,598
Patent acquisition obligation	3,136,513	3,136,513	-
Loan payable to related party	-	-	5,000,000
Total liabilities	13,249,626	4,442,401	8,760,131
Shareholders' equity:			
Preferred stock, par value $100 per share; 500,000, 496,500 and 500,000 shares authorized; no shares issued or outstanding at July 31, 2014, July 31, 2014 pro forma and October 31, 2013, respectively	-	-	-
Series A convertible preferred stock, par value $100 per share; 0, 3,500 and 0 shares issued and outstanding at July 31, 2014, July 31, 2014 pro forma and October 31, 2013, respectively	-	350,000	-
Common stock, par value $.01 per share; 600,000,000 shares authorized; 236,822,190, 219,342,190 and 209,276,745 shares issued and outstanding at			

July 31, 2014, July 31, 2014 pro forma and October 31, 2013, respectively	2,368,222	2,193,422	2,092,767
Additional paid-in capital	144,444,136	144,989,691	134,750,048
Loan receivable from related party	(5,000,000)	-	(5,000,000)
Accumulated deficit	(141,616,278)	(142,727,149)	(135,163,408)
Accumulated other comprehensive (loss)	(46,371)	-	-
Total shareholders' equity	149,709	4,805,964	$ (3,320,593)
Total liabilities and shareholders' equity	$ 13,399,335	$ 9,248,365	$ 5,439,538

(1) Pro forma explanation:

On August 29, 2014, the Company (as defined below) terminated its business relationship with Videocon Industries Limited and its affiliates (collectively "Videocon"). The unaudited pro forma balance sheet as of July 31, 2014 gives effect to the termination, including the cancellation of loans receivable and payable of $5,000,000 and the exchange of 1,495,845 global depository receipts formerly held by the Company and 20,000,000 shares of ITUS Corporation common stock formerly held by Videocon, as if all such transactions were effected on on July 31, 2014. The Company thereupon recorded the retirement of the 20,000,000 shares of its common stock.

On September 9, 2014, the Company and the holder of a $3,500,000 Convertible Debenture due November 2016 agreed to a transaction resulting in the conversion of the principal and accrued interest of the Convertible Debenture into 18,498,943 shares of the Company's common stock, and the conversion of 15,978,943 shares of common stock into 3,500 shares of Series A Convertible Preferred Stock. In addition, a warrant to purchase 9,249,472 shares of common stock, initially issued with the Convertible Debenture and with an exercise price of $0.3784 per share, was exchanged for a new warrant with an exercise price of $0.31 per share and with substantially the same terms and exercisable for the same number of shares. The unaudited pro forma balance sheet as of July 31, 2014 shows a positive adjustment to shareholder's equity of approximately $3,807,000, giving effect to the conversion of the Convertible Debenture, the extinguishment of the related accrued interest and derivative liability, in exchange for the issuance of shares of common stock and shares of Series A Convertible Preferred Stock, as if all such transactions were effected on on July 31, 2014.

See Note 2, Subsequent Events – for additional information regarding these subsequent events.

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

ITUS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS (UNAUDITED)

	For the Nine Months Ended July 31,	
	2014	2013
Revenue from patent assertion activities	$ 1,105,000	$ -
Display technology development and license fees	1,187,320	-
Total revenue	2,292,320	-
Operating costs and expenses:		
Inventor royalties and contingent legal fees	465,095	-
Litigation and licensing expenses	266,537	21,955
Amortization of patents	233,129	-
Marketing, general and administrative expenses (including non-cash stock option compensation expense of $2,346,587 and $2,692,798, respectively)	4,807,154	6,120,474
Total operating costs and operating expenses	5,771,915	6,142,429
Loss from operations	(3,479,595)	(6,142,429)
Change in value of derivative liabilities	(1,460,704)	315,189
Loss on extinguishment of debt	(482,915)	(343,517)
Interest expense	(1,082,041)	(982,688)
Dividend income	47,568	-
Interest income	4,817	113
Loss before income taxes	(6,452,870)	(7,153,332)
Provision for income taxes	-	-
Net loss	$ (6,452,870)	$ (7,153,332)
Other comprehensive (loss) income:		
Unrealized (loss) gain on investment in Videocon Industries Limited global depository receipts	(46,371)	(459,226)
Total comprehensive loss	$ (6,499,241)	$ (7,612,558)
Net loss per share:		
Basic and diluted	$ (0.03)	$ (0.04)
Weighted average common shares outstanding:		
Basic and diluted	215,496,115	192,889,045

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

ITUS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS (UNAUDITED)

	For the Three Months Ended July 31,	
	2014	2013
Revenue from patent assertion activities	$ -	$ -
Display technology development and license fees	1,187,320	-
Total revenue	1,187,320	-
Operating costs and expenses:		
Inventor royalties and contingent legal fees	-	-
Litigation and licensing expenses	162,520	15,205
Amortization of patents	81,289	-
Marketing, general and administrative expenses (including non-cash stock option compensation expense of $469,481 and $1,237,838, respectively)	1,103,094	2,203,400
Total operating costs and operating expenses	1,346,903	2,218,605
Loss from operations	(159,583)	(2,218,605)
Change in value of derivative liabilities	850,000	105,189
Loss on extinguishment of debt	-	(343,517)
Interest expense	(280,913)	(125,035)
Interest income	1,497	76
Income (loss) before income taxes	411,001	(2,581,892)
Provision for income taxes	-	-
Net income (loss)	$ 411,001	$ (2,581,892)
Other comprehensive (loss) income:		
Unrealized (loss) gain on investment in Videocon Industries Limited global depository receipts	173,518	(1,751,636)
Total comprehensive income (loss)	$ 584,519	$ (4,333,528)
Net loss per share:		
Basic and diluted	$ 0.00	$ (0.01)
Weighted average common shares outstanding:		
Basic and diluted	223,251,755	201,965,186

The accompanying notes are an integral part of these condensed consolidated financial statements

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ITUS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY
FOR THE NINE MONTHS ENDED JULY 31, 2014 (UNAUDITED)

	Common Stock		Additional Paid-in Capital	Loan Receivable From Related Party	Accumulated Deficit	Accumulated Other Comprehensive (Loss)	Total Shareholders' Deficiency
	Shares	Par Value					
Balance, October 31, 2013	209,276,745	$ 2,092,767	$ 134,750,048	$ (5,000,000)	$ (135,163,408)	$ -	$ (3,320,593)
Stock option compensation to employees	-	-	1,562,350	-	-	-	1,562,350
Stock option compensation to consultants	-	-	784,237	-	-	-	784,237
Common stock issued to consultants	130,000	1,300	39,448	-	-	-	40,748
Common stock issued upon exercise of stock options	345,000	3,450	47,775	-	-	-	51,225
Warrants issued in connection with the issuance of convertible debentures	-	-	513,112	-	-	-	513,112
Common stock issued upon exercise of warrants	1,339,950	13,400	286,609	-	-	-	300,009
Sale of common stock, net of expenses of $326,865	16,000,000	160,000	3,513,135	-	-	-	3,673,135
Common stock issued upon conversion of convertible debentures	8,267,080	82,671	2,652,678	-	-	-	2,735,349
Common stock issued in payment of interest on convertible debentures	263,415	2,634	59,144	-	-	-	61,778
Common stock issued to acquire patent license	1,200,000	12,000	235,600	-	-	-	247,600
Unrealized loss on investment in Videocon Industries Limited global depository receipts	-	-	-	-	-	(46,371)	(46,371)
Net loss	-	-	-	-	(6,452,870)	-	(6,452,870)
Balance, July 31, 2014	236,822,190	$ 2,368,222	$ 144,444,136	$ (5,000,000)	$ (141,616,278)	$ (46,371)	$ 149,709

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

ITUS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the nine months ended July 31,	
	2014	2013
Reconciliation of net loss to net cash used in operating activities:		
Net loss	$ (6,452,870)	$ (7,153,332)
Stock option compensation to employees	1,562,350	2,118,424
Stock option compensation to consultants	784,237	574,374
Common stock issued to consultants	40,748	168,475
Common stock issued to pay interest on convertible debentures	61,778	69,939
Amortization of patents	233,129	-
Amortized interest on patent acquisition obligations to interest expense	286,002	-
Amortization of convertible debenture discount to interest expense	575,210	893,149
Loss on extinguishment of debt	482,915	343,517
Change in value of derivative liability	1,460,704	(315,189)
Common stock issued to acquire patent license	62,000	42,000
Other	(553)	35,490
Change in operating assets and liabilities:		
Accounts receivable	41,667	-
Prepaid expenses and other current assets	60,066	8,574
Accounts payable and accrued expenses	28,101	572,180
Royalties and contingent legal fees payable	(55,343)	-
Deferred revenue	(1,187,320)	-
Net cash used in operating activities	(2,017,179)	(2,642,399)
Cash flows from investing activities:		
Disbursements to acquire short-term investments in certificates of deposit	(3,700,000)	-
Proceeds from sales of short-term investments in certificates of deposit	1,150,000	500,000
Other	(3,798)	(676)
Net cash (used in) provided by investing activities	(2,553,798)	499,324
Cash flows from financing activities:		
Proceeds from issuance of convertible debentures	3,500,000	1,765,000
Proceeds from sale of common stock, net	3,673,135	589,865
Proceeds from exercise of warrants to purchase common stock	300,009	380,800
Proceeds from exercise of employee stock options	51,225	25,610
Proceeds from sale of common stock held by ZQX Advisors LLC	-	24,138
Payments to redeem convertible debentures	(200,000)	-
Net cash provided by financing activities	7,324,369	2,785,413
Net increase in cash and cash equivalents	2,753,392	642,338
Cash and cash equivalents at beginning of year	898,172	339,693
Cash and cash equivalents at end of period	$ 3,651,564	$ 982,031
Supplemental disclosure of non-cash investing and financing activities:		
Non-cash patent acquisition	$ 3,036,111	$ -
Common stock to acquire patent license	$ 247,600	$ 42,000
Common stock issued upon conversion of convertible debentures	$ 2,735,349	$ 1,353,364
Fair value of debenture embedded conversion feature at date of issuance	$ 1,570,000	$ 1,180,000
Relative fair value of warrants issued with convertible debentures	$ 513,112	$ 214,819

The accompanying notes are an integral part of these condensed consolidated financial statements

ITUS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. BUSINESS AND FUNDING

Description of Business

As used herein, "we," "us," "our," the "Company", or "ITUS" means ITUS Corporation and its wholly-owned subsidiaries, unless otherwise indicated. The primary operations of the Company involve the development, acquisition, licensing, and enforcement of patented technologies that are either owned or controlled by the Company. In June 2014, ITUS Patent Acquisition Corporation acquired the exclusive rights to license and enforce our 10th patent portfolio called Enhanced Auction Technologies, which covers enhanced presentation and cross selling technologies used by some of the world's leading auction sites. The Company currently owns or controls 10 patent portfolios including Encrypted Mobile Communication; Enhanced Auction Technologies: ePaper® Electrophoretic Display; Internet Telephonic Gateway; J-Channel Window Frame Construction; Key Based Web Conferencing Encryption; Loyalty Conversion Systems; Micro Electro Mechanical Systems Display; Nano Field Emission Display; and VPN Multicast Communications.

As part of our patent assertion activities and in the ordinary course of our business, the Company has initiated and will likely continue to initiate patent infringement lawsuits, and engage in patent infringement litigation. In September of 2014, the Company initiated its seventh patent assertion campaign, bringing the total number of lawsuits since we implemented our patent monetization business model in January of 2013 to 44.

Our primary source of revenue will come from licenses resulting from the unauthorized use of our patented technologies, including the settlement of patent infringement lawsuits. During the nine months ended July 31, 2014, we entered into 5 license and/or settlement agreements including agreements in connection with our patented Key Based Web Encryption technology and our patented J-Channel Window Frame Construction technology. In September 2014, we entered into 5 additional license and/or settlement agreements with Jeld-Wen, Inc., Atrium Windows and Doors, Inc., Pella Corporation, Ply Gem Industries, Inc. and Simonton Building Products, Inc., all in connection with our patented J-Channel Window Frame Construction technology. These licenses resolved lawsuits that were pending against the aforementioned companies. Since implementing our new business model in January of 2013, the Company has entered into a total of 14 revenue producing license and/or settlement agreements, and 3 of our 7 patent assertion campaigns have now generated revenue.

On August 29, 2014, the Company ended its relationship with Videocon Industries Limited, terminating Videocon's license to the Company's patented Nano Field Emission Display technology. On September 3, 2014, the United States District Court for the Eastern District of Texas invalidated two of our Loyalty Conversion Systems patents by ruling that they did not cover patentable subject matter, resulting in the dismissal of 7 of our Loyalty Conversion Systems Corporation's lawsuits. On September 8, 2014, the Company filed patent infringement lawsuits against Ebay, Vendio, and Auctiva in connection with our patented Enhanced Auction Technologies. The Company currently has 27 pending lawsuits in connection with its patented technologies.

In addition to continuing to mine and monetize our existing patents, our wholly owned subsidiary, ITUS Patent Acquisition Corporation, will continue to acquire patents and the exclusive rights to license and enforce patents from third parties. When necessary, we will assist such parties in the further development of their patent portfolios through the filing of additional patent applications.

Due to arrangements previously entered into by the Company, certain of our patents contain encumbrances which may negatively impact our patent monetization and patent assertion activities. Where we are able, we will take the steps necessary to remove any encumbrances that may inhibit our patent monetization and patent assertion activities.

Name Change

On September 2, 2014, the Company changed its name to ITUS Corporation. The Name Change was approved by the Company's Board of Directors on May 28, 2014 and was subsequently approved by the Company's stockholders at the Annual Meeting of Stockholders on August 8, 2014. In Greek mythology, ITUS was the God of Protection. The Name Change better aligns the Company's corporate name with its current business and mission to develop, acquire, license and enforce of patented technologies that are either owned or controlled by the Company or one of its wholly owned subsidiaries.

Funding and Management's Plans

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. During the third quarter of fiscal 2013, $325,000 of the principal amount of these debentures were converted into 2,166,775 shares of our common stock. During the second quarter of fiscal 2014, $1,240,000 of the principal amount of the convertible debentures were converted into 8,267,080 of shares of our common stock, and the remaining $200,000 of convertible debt was repaid in cash.

In November 2013, the Company completed a private placement with a single institutional investor, pursuant to which the Company issued a $3,500,000 principal amount 6% convertible debenture due November 11, 2016. For details of this debenture, please see Note 3, Convertible Debentures herein.

In July 2014, the Company completed the sale of 16,000,000 shares of its common stock at the offering price of $0.25 per share. The net proceeds from this sale totaled approximately $3,673,000. See Note 4, Sale of Common Stock – for additional information regarding this transaction.

During the nine months ended July 31, 2014, cash used in operating activities was approximately $2,017,000. Cash used in investing activities during the nine months ended July 31, 2014 was approximately $2,554,000, which principally resulted from the purchase of certificates of deposit totaling $3,700,000 which was partially offset by the sale of certificates of deposit totaling $1,150,000. Our cash provided by financing activities during the nine months ended July 31, 2014 was approximately $7,324,000, which resulted from the net proceeds from the sale of 16,000,000 shares of the Company's common stock for approximately $3,673,000, the sale of convertible debentures in a private placement for $3,500,000, the proceeds from exercise of warrants to purchase common stock of approximately $300,000, and the proceeds from exercise of stock options of approximately $51,000 offset by the payment to redeem convertible debentures of $200,000. As a result, our cash, cash equivalents, and short-term nvestments at July 31, 2014 increased approximately $5,304,000 to approximately $6,202,000 from approximately $898,000 at the end of fiscal year 2013.

Based on currently available information, the Company believes that its existing cash, cash equivalents, short-term investments, accounts receivable, and expected cash flows from patent licensing and enforcement, and other potential sources of cash flows will be sufficient to enable it 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, short term investments and cash that may be generated from patent licensing and enforcement activities are insufficient to satisfy our liquidity requirements, we may seek to sell equity securities or obtain loans from various financial institutions where possible. The sale of additional equity securities or convertible debt 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.

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, certain information and footnotes required by generally accepted accounting principles in annual financial statements have been omitted or condensed. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended October 31, 2013, as reported by us in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on January 16, 2014. The year-end consolidated balance sheet data was derived from the audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. The condensed consolidated financial statements include all adjustments of a normal recurring nature which, in the opinion of management, are necessary for a fair statement of our financial position as of July 31, 2014, and results of operations and cash flows for the interim periods represented. The results of operations for the three and nine months ended July 31, 2014 are not necessarily indicative of the results to be expected for the entire year.

Revenue Recognition

Revenue is recognized when (i) persuasive evidence of an arrangement exists, (ii) all obligations have been substantially performed pursuant to the terms of the arrangement, (iii) amounts are fixed or determinable, and (iv) the collectability of amounts is reasonably assured.

Patent Monetization and Patent Assertion

In general, revenue arrangements provide for the payment of contractually determined fees in consideration for the grant of certain intellectual property rights for patented technologies owned or controlled by our operating subsidiaries. These rights typically include some combination of the following: (i) the grant of a non-exclusive, retroactive and future license to manufacture and/or sell products covered by patented technologies owned or controlled by our operating subsidiaries, (ii) a covenant-not-to-sue, (iii) the release of the licensee from certain claims, and (iv) the dismissal of any pending litigation. The intellectual property rights granted are perpetual in nature, extending until the expiration of the related patents. Pursuant to the terms of these agreements, our operating subsidiaries have no further obligation with respect to the grant of the non-exclusive retroactive and future licenses, covenants-not-to-sue, releases, and other deliverables, including no express or implied obligation on our operating subsidiaries' part to maintain or upgrade the technology, or provide future support or services. Generally, the agreements provide for the grant of the licenses, covenants-not-to-sue, releases, and other significant deliverables upon execution of the agreement. As such, the earnings process is complete and revenue is recognized upon the execution of the agreement, when collectability is reasonably assured, and when all other revenue recognition criteria have been met.

Display Technology Development and License Fees

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 development and license fees of $3 million, of aggregate development and license fees of up to $10 million. The additional $7 million in development and license fees were to be payable upon completion of certain conditions for the respective technologies. We have 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 development and 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 development and license fees as either deferred revenue or revenue as it is considered contingent revenue. Each of the license agreements with AUO also provide 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.

At each reporting period we assess our remaining performance obligations under the AUO License agreements and recognize display technology development and license fee revenue over the remaining estimated period that we expect to complete the conditions for the respective technologies. Development and license fee payments received from AUO which are in excess of the amounts recognized as revenue (approximately $1,187,000 as of October 31, 2013) are recorded as non-refundable deferred revenue on the accompanying condensed consolidated balance sheet. As a result of the AUO/E Ink Lawsuit described below we have not recorded any display technology development and license fee revenue during the period from the fourth quarter of fiscal 2012 through the second quarter of this fiscal year due to uncertainty as to our remaining performance obligations, if any. Based on our assessment for the three month period ended July 31, 2014, we have determined that we have no further performance obligations under the AUO License Agreements and accordingly we have recognized display technology development and license fee revenue of approximately $1,187,000, representing the balance of the initial $3 million payment received from AUO.

Patents

Our only identifiable intangible assets are patents and patent rights. We capitalize patent and patent rights acquisition costs and amortize the cost over the estimated economic useful life. Patent acquisition costs capitalized during the nine months ended July 31, 2014 and 2013, was approximately $3,036,000 and $-0-, respectively, and none during the three months ended July 31, 2014 and 2013, respectively. We recorded patent amortization expense of approximately $233,000 and $-0- during the nine months ended July 31, 2014 and 2013, respectively, and approximately $81,000 and $-0- during the three months ended July 31, 2014 and 2013, respectively.

2. SUBSEQUENT EVENTS

Unwinding of Business Relationship and Interests with Videocon

On August 29, 2014, the Company and CopyTele International Ltd., a wholly-owned subsidiary of the Company (the "Subsidiary"), terminated their business relationship (the "Business Relationship") with Videocon Industries Limited ("Videocon") and Mars Overseas Limited, an affiliate of Videocon ("Mars" and together with the Company, the Subsidiary and Videocon, the "Parties"). The Business Relationship began in November 2007 and related to a proposed joint development effort between the Company and Videocon to develop a certain Nano Field Emission Display technology (the "Technology"). In connection with the proposed joint venture, (i) the Company granted a non-transferable, worldwide license to Videocon for the Technology (the "License"), (ii) the Subsidiary made a $5 million dollar loan to Mars (the "Subsidiary Loan"), (iii) Mars made an identical $5 million dollar loan to the Subsidiary (the "Mars Loan" and together with the Subsidiary Loan, the "Loans"), (iv) the Company sold to Mars 20 million shares of the Company's common stock (the "Shares") and (v) Global EPC Ventures Limited sold to the Company 1,495,845 global depository receipts of Videocon (the "GDRs"). The Shares and GDRs were subsequently used to secure the Loans.

Because Videocon was unable to continue with its joint development responsibilities, the Technology was not jointly developed by the Parties, and Videocon introduced the Company to AU Optronics Corp. to jointly develop the Technology with the Company. Because the Company entered into a separate agreement with AU Optronics Corp. to jointly develop the Technology, the Business Relationship with Videocon became immaterial to the Company. Accordingly, the Company and Videocon agreed to terminate the Business Relationship. In order to terminate the Business Relationship, the Parties entered into several agreements whereby: (i) the License was terminated, (ii) both of the Loans were canceled and (iii) the Shares and GDRs were exchanged for each other (collectively, the "Termination Transactions"). The result of these Termination Transactions was to undo the initial transactions between the Parties that set forth the Business Relationship. Aside from this business relationship there is no other material relationship between the Parties. In accounting for the unwinding of this business relationship, the Company offset the two loans and then recorded its repurchased shares of common stock at the then current fair value of the GDRs and then retired and cancelled those shares.

Preferred Stock

On September 9, 2014, the Company designated 3,500 shares of Series A Convertible Preferred Stock, par value $100 per share, in accordance with the Certificate of Designation of Series A Convertible Preferred Stock filed with the Secretary of State of the State of Delaware on September 9, 2014 (the "Series A Convertible Preferred Stock"). On September 9, 2014, 3,500 shares of Series A Convertible Preferred Stock were issued in connection with the conversion of the Convertible Debenture due November 2016, as discussed further, below.

Ranking

The Series A Convertible Preferred Stock ranks senior to the Company's common stock, to all series of any other classes of equity which may be issued and to any indebtedness, unless the Company has obtained the prior written consent of the Series A Convertible Preferred Stock holder.

Optional Conversion

Holders of the Series A Convertible Preferred Stock may at any time convert their shares of Series A Convertible Preferred Stock into such number of shares of the Company's common stock in such an amount equal to (a) the stated value (initially $1,000) of the shares of Series A Convertible Preferred Stock being converted (the "Stated Value"), divided by the conversion price (initially $0.1892) (the "Series A Conversion Price"), multiplied by (b) the number of shares of Series A Preferred Stock being converted. In the event the Series A Convertible Preferred Stock is converted in part, the Company shall deliver a new certificate of like tenor in the amount equal to the remaining balance of the Series A Convertible Preferred Stock after giving effect to such partial conversion.

The holder shall not have the right to convert any portion of the Series A Convertible Preferred Stock if after giving effect to such conversion, the holder, together with any affiliate thereof, would beneficially own in excess of 4.99% of the number of shares of common stock outstanding immediately after giving effect to such conversion.

The embedded conversion option has certain anti-dilution protection provisions which would be triggered if the Company issues its common stock, or certain common stock equivalents, (as defined) at a price below $0.142 per share.

Mandatory Conversion

At any time after November 11, 2016, if and only if the average of the high and low trading prices of the Company's common stock for any 10 out of 20 consecutive trading days (the "Measurement Period,") exceeds the then Series A Conversion Price, as adjusted, the Company may convert any then outstanding shares of Series A Convertible Preferred Stock into shares of common stock (a "Mandatory Conversion"), provided, however, that any such Mandatory Conversion shall not require a holder to convert a number of shares of Series A Convertible Preferred Stock into an amount of Common Stock that would exceed 50% of the daily average trading volume of the common stock during the Measurement Period. Following November 11, 2016 and subject to the price and volume limitations set forth above, the Company may require such number of successive Mandatory Conversions as are necessary to convert all then outstanding Series A Convertible Preferred Stock.

Redemption

At any time on or after November 11, 2016 (the "Redemption Date"), and upon at least 60 days prior written notice to the Company (a "Redemption Notice"), any holder of the Series A Convertible Preferred Stock shall have a one-time right to require the Company to redeem all or some of its shares of Series A Convertible Preferred Stock (a "Redemption"), for cash generated from a subsequent sale of the Company's equity securities. The redemption price shall be equal to the Stated Value for each share of Series A Convertible Preferred Stock (the "Redemption Purchase Price"). Upon receipt of a Redemption Notice, the Company shall complete a sale or sales of its equity securities for the purpose of accumulating net proceeds sufficient to pay the Redemption Purchase Price (it being understood by the holder of the Series A Convertible Preferred Stock that the Company may only redeem shares of Series A Convertible Preferred Stock with the proceeds from the sale of the Company's equity securities).

Board and Observer Rights

Each holder of Series A Convertible Preferred Stock shall have the right, upon 10 days' prior written notice, to designate one representative, reasonably acceptable to the Company, who shall be entitled to attend and observe meetings of the Company's Board of Directors in a non-voting observer capacity (the "Observer").

Accounting for the Series A Convertible Preferred Stock

The Company determined that the economic characteristics and risks of the conversion feature and the preferred stock instrument were clearly and closely related as equity instruments and accordingly, the conversion feature would not require separate accounting. In addition, the redemption feature is contingent upon Series A Convertible Preferred Stock not being converted into common stock and upon the holders delivering a redemption notice to the Company. Further, the redemption purchase price may only be paid from the proceeds of a subsequent sale of equity securities. Accordingly, the Series A Convertible Preferred Stock was accounted for as an equity instrument.

Conversion of the Convertible Debenture due November 2016

On September 9, 2014, holders of $3,500,000 and approximately $173,000 of principal and interest, respectively, of the Convertible Debenture due November 2016, converted their holdings into an aggregate of 18,498,943 shares of common stock the ("Conversion Common Stock"). In addition, the Company exchanged and reissued the warrant for the purchase of 9,249,472 shares of common stock, and upon the reissuance, lowered the exercise price to $0.31 per share. There was no change to the term of the warrant.

In connection with this conversion, the Company recorded a loss on conversion/exchange of approximately $1,580,000, as summarized below. This loss represents the excess of the fair value of common stock issued on the date of the conversion over the net book value of the debt on the date of conversion. Since the conversion feature on the Convertible Debenture due November 2016 was determined to be a derivative liability, the net book value includes the value of the debt, net of discount, the derivative liability related to the conversion feature (after being marked to market on the conversion date, and the change in the fair value of the warrant on the date of the conversion.

The loss on extinguishment of debt was determined as follows:

	Conversion Common Stock
Securities extinguished:	
Face value of convertible debenture converted	$ 3,500,000
Less: debt discount	(1,693,785)
Plus: accrued interest	173,521
Plus: fair value of derivative liability	1,032,241
Plus: fair value of warrant exchanged in connection with the conversion	1,270,000
Net book value of converted debenture, accrued interest, derivative liability and warrant exchanged	4,281,977
Securities issued in conversion/exchange:	
Fair value of common stock issued	4,532,241
Fair value of warrant issued September 9, 2014	1,332,000
Subtotal of securities issued in conversion/exchange	5,864,241
(Loss) on conversion/exchange	$(1,582,264)

On September 9, 2014, the Convertible Debenture due November 2016 was extinguished in full. However, the Company needed to determine the fair value of the derivative liability for the embedded conversion feature immediately prior to the conversion, in order to determine the change in the fair value of the derivative for the period. The Company determined to measure the derivative immediately prior to the conversion at its intrinsic value, since this method most fairly measured the value of the derivative liability. The intrinsic value computation is provided below.

	On September 9, 2014
Stock price used for valuation	$ 0.25
	5,285 shares issued per $1,000 face value
Aggregate gross intrinsic value of the $3,500,000 of principal outstanding on September 8, 2014, immediately prior to conversion	4,532,241
Less the face value of the convertible debenture	(3,500,000)
Intrinsic value of the derivative conversion feature	$ 1,032,241

Immediately after the conversion, the holders exchanged 15,978,943 shares of the Conversion Common Stock into 3,500 shares of Series A Convertible Preferred Stock. Shortly thereafter, the Company retired and cancelled the 15,978,943 shares of common stock received in the exchange.

3. CONVERTIBLE DEBENTURES

Convertible Debenture due January 2015

In January 2013, the Company received aggregate gross proceeds of $1,765,000 from the issuance of 8% convertible debentures due January 25, 2015 (“Convertible Debenture due January 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 paid interest quarterly and were convertible into shares of our common stock at a conversion price of $0.15 per share on or before January 25, 2015. The embedded conversion feature had certain weighted average anti-dilution protection provisions which would be triggered if the Company issues its common stock, or certain common stock equivalents, (as defined) at a price below $0.15 per share. The Company had the option to pay any interest on the debentures in common stock based on the average of the closing prices of our common stock for the 10 trading days immediately preceding the interest payment date. The Company also had the option to pay any interest on the debentures with additional debentures. The Company had the right to prepay the debentures at any time without penalty upon 30 days prior notice but only if the sales price of the common stock is at least $.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, the Company issued warrants (the “Convertible Debenture Warrant”) to purchase 5,882,745 shares of its common stock. Each warrant grants the holder the right to purchase one share of the Company’s common stock at the purchase price of $0.30 per share on or before January 25, 2016. The Convertible Debenture Warrant may be exercised on a cashless basis only if there is not an effective registration statement covering such shares.

The Company determined, based upon authoritative guidance, that the conversion feature embedded within the Convertible Debenture due January 2015 should be valued separately and bifurcated from the host instrument and accounted for as a free-standing derivative liability and that the Convertible Debenture Warrant should also be valued and accounted for separately as an equity instrument.

The derivative liability related to the embedded conversion feature was revalued at each reporting period as well as on the date of all conversions. The value of the derivative liability associated with the conversions and repayments of the Convertible Debenture due January 2015 during the three months ended April 30, 2014 was approximately $1,671,000. As of April 30, 2014, the Company determined the fair value of the derivative liability to be $-0-, as the full value of the Convertible Debenture due January 2015 was converted and/or repaid in full during the three months ended April 30, 2014. Accordingly, during the three and nine months ended July 31, 2014, the Company recorded losses on the change in fair value of the derivative liability of approximately $-0- and $1,131,000, respectively.

During the three months ended April 30, 2014, holders of $1,240,000 and approximately $9,000 of principal and interest, respectively, of the Convertible Debenture due January 2015, converted their holdings into an aggregate of 8,267,080 and 29,633 shares of common stock and holders of $200,000 of principal of the Convertible Debenture due January 2015 consented to prepayment (without conversion) of obligations to them under the instrument's prepayment provisions. In connection with these conversions and prepayments the Company recorded a loss on extinguishment of debt of approximately $483,000 during the three months ended April 30, 2014. This loss represents the excess of the fair value of Common Stock issued and cash paid on the date of the respective conversions and prepayments over net book value of the debt on the date of conversion and/or repayment. Since the conversion feature on the Convertible Debenture due January 25, 2015 was determined to be a derivative liability, the net book value includes both the value of the debt, net of discount and the portion of derivative liability related to the conversion feature.

The loss on extinguishment of debt was calculated as follows:

	For the Nine Months Ended July 31, 2014
Face value of debt converted and/or prepaid	$ 1,440,000
Less: discount	(658,232)
Plus: value of derivative liability	1,670,704
Net book value of debt converted	$ 2,452,472
Fair value of Common stock and cash issued	2,935,387
Loss on extinguishment of debt	$ 482,915

As of April 30, 2014, the Convertible Debenture due January 2015 was extinguished in full. However, the Company needed to determine the fair value of the derivative liability for the embedded conversion feature immediately prior to the conversion, in order to determine the change in the fair value of the derivative for the period. The Company determined to measure the derivative immediately prior to the conversion at its intrinsic value, since this method most fairly measured the value of the derivative liability. The intrinsic value computation is provided below.

	As of April 30, 2014
Stock price used for valuation	$ 0.34
	6,667 shares issued per $1,000 face value
Aggregate intrinsic value of the $1,150,000 of principal outstanding on April 30, 2014, immediately prior to conversion and repayment	$ 1,456,797

The amortization of debt discount related to the Convertible Debenture due January 2015 was approximately $-0- and $233,000 for the three and nine months ended July 31, 2014, respectively, and approximately $92,000 and $175,000 for the three and nine months ended July 31, 2013, respectively.

Convertible Debenture due November 2016

In November 2013, the Company received aggregate gross proceeds of $3,500,000 from the issuance of 6% convertible debentures due November 11, 2016 ("Convertible Debenture due November 2016"). The debentures pay interest annually and are convertible into shares of our common stock at a conversion price of $0.1892 per share on or before November 11, 2016. The embedded conversion feature has certain weighted average anti-dilution protection provisions which would be triggered if the Company issues its common stock, or certain common stock equivalents, (as defined) at a price below $0.142 per share. The Company has the option to pay any interest on the debentures in common stock based on 90% of the volume weighted average
closing sales price of our common stock for the 30 trading days immediately preceding the interest payment date. In conjunction with the issuance of the debentures, the Company issued warrants (the "Convertible Debenture Warrant") to purchase 9,249,472 shares of its common stock. Each warrant grants the holder the right to purchase one share of the Company's common stock at a fixed purchase price of $0.3784 per share on or before November 11, 2016. The Convertible Debenture Warrant may be exercised on a cashless basis only if there is not an effective registration statement covering such shares.

The Company determined, based upon authoritative guidance, that the conversion feature embedded within the Convertible Debenture due November 2016 should be valued separately and bifurcated from the host instrument and accounted for as a free-standing derivative liability and that the Convertible Debenture Warrant should also be valued and accounted for separately as an equity instrument.

The Company determined the fair value of each of the three elements included within the Convertible Debenture due November 2016. The debenture portion (without the conversion feature) bearing interest at 6% was determined to be a debt instrument with a fair value of $2,710,000. The embedded conversion feature was determined to be a derivative liability with a fair value of $1,570,000. The Convertible Debenture Warrant was determined to be an equity instrument with a fair value of $740,000. The Company determined the fair value of each of these instruments based upon the assumptions and methodologies as discussed below.

Since the Convertible Debenture Warrant was determined to be an equity instrument, the Company first computed the relative fair value of the Convertible Debenture due November 2016 (including the value of its conversion feature) with a fair value of $4,280,000 and the Convertible Debenture Warrant with a fair value of $740,000. Accordingly, the relative fair value of the Convertible Debenture Warrant and the Convertible Debenture due November 2016 (including the value of its conversion feature) was determined to be $515,936 and $2,984,064, respectively. Then, from the relative fair value of the Convertible Debenture due November 2016, the Company deducted in full the fair value of the embedded conversion feature of $1,570,000. The discount of $2,085,936 applied to the face value of the Convertible Debenture due November 2016 consists of the sum of the relative fair value of the Convertible Debenture Warrant of $515,936 and the full value of the bifurcated conversion option derivative liability of $1,570,000. The Convertible Debenture due November 2016 was recorded at a net value of $1,414,064, representing its face value of $3,500,000, less aggregate discounts for the derivative liability and warrant of $2,085,936, as summarized in the table below.

Face value of Convertible Debenture due November 2016		$ 3,500,000
Fair value of embedded conversion feature	$ 1,570,000	
Relative fair value of Convertible Debenture Warrant	515,936	
Discount	$ 2,085,936	(2,085,936)
Proceeds attributable to the Convertible Debenture due November 2016		$ 1,414,064

Accordingly, the Company accounted for the full amount of the discount as an offset to the Convertible Debenture due November 2016, amortizable under the effective interest method over the term of the debenture.

The Company calculated the fair value of the embedded conversion feature of the Convertible Debenture due November 2016 using a Monte Carlo simulation, with the observable assumptions as provided in the table below. The significant unobservable inputs used in the fair value measurement of the reporting entity's embedded conversion feature are expected stock prices, levels of trading and liquidity of the Company stock, probability of default of the host instrument, and loss severity in the event of such default. Significant increases in the expected stock prices and expected liquidity would result in a significantly higher fair value measurement. Significant increases in either the probability or severity of default of the host instrument would result in a significantly lower fair value measurement.

	As of November 11, 2013
Stock price on valuation date	$ 0.20
Conversion price	$ 0.189
Discount for lack of marketability	35.5%
Term (years)	3.00
Expected volatility	102.8%
Weighted average risk-free interest rate	0.62%
Trials	100,000
Aggregate fair value	$ 1,570,000

The Company calculated the fair value of the Convertible Debenture Warrant issued on November 11, 2013 using a Black Scholes Model, with the observable assumptions as provided in the table below. The significant unobservable inputs used in the fair value measurement of the reporting entity's warrant value are expected stock prices, levels of trading and liquidity of the Company stock, probability of default of the host instrument, and loss severity in the event of such default. Significant increases in the expected stock prices and expected liquidity would result in a significantly higher fair value measurement. Significant increases in either the probability or severity of default of the host instrument would result in a significantly lower fair value measurement:

	As of November 11, 2013
Stock price on valuation date	$ 0.20
Exercise price	$ 0.378
Discount for lack of marketability	22%
Term (years)	3.00
Expected volatility	102.8%
Weighted average risk-free interest rate	0.6%
Number of warrants	9,249,472
Aggregate fair value	$ 740,000

The Company determined the fair value of the Convertible Debenture due November 2016 by preparing an analysis of discounted cash flows, using a discount rate of 16.0%, which the Company deemed appropriate given the Company's current risk scenarios.

The derivative liability related to the embedded conversion feature is revalued at each reporting period as well as on the date of all conversions, as discussed below. As of July 31, 2014, the Company determined the fair value of the derivative liability to be $1,900,000, and accordingly, during the three and nine months ended July 31, 2014, the Company recorded a gain (loss) on the change in the fair value of the derivative liability of approximately $850,000 and ($330,000), respectively.

As of July 31, 2014, the Company calculated the fair value of the embedded conversion feature of the Convertible Debenture due November 2016 using a Monte Carlo simulation, with the observable assumptions as provided in the table below. The significant unobservable inputs used in the fair value measurement of the reporting entity's embedded conversion feature are expected stock prices, levels of trading and liquidity of the Company stock, probability of default of the host instrument, and loss severity in the event of such default. Significant increases in the expected stock prices and expected liquidity would result in a significantly higher fair value measurement. Significant increases in either the probability or severity of default of the host instrument would result in a significantly lower fair value measurement.

	As of July 31, 2014
Stock price used for valuation	$ 0. 260
Conversion price	0.189
Discount for lack of marketability	36.3%
Term (years)	2.3
Expected volatility	100.6%
Weighted average risk-free interest rate	0.78%
Trials	100,000
Aggregate fair value	$ 1,900,000

The amortization of debt discount related to the Convertible Debenture due November 2016 for the three and nine months ended July 31, 2014 was approximately $129,000 and $342,000, respectively.

In connection with the issuance of the Convertible Debenture due November 2016, the Company incurred legal costs which were allocated as provided below:

Attributable to:	Accounting Treatment	Amount
The embedded conversion feature (derivative)	Expensed as incurred	$ 8,593
The 8% Convertible Debenture Warrant	Charged to additional paid-in capital	2,824
The 8% Convertible Debenture	Recorded as deferred issuance costs and amortized under the interest method over the term of the 8% Convertible Debenture	7,739
Total		$ 19,156

In connection with the issuance of the Convertible Debenture due November 2016, on February 7, 2014, the Company prepared and filed a registration statement registering for resale the shares of its common stock which may be issued upon the conversion of the debenture and exercise of the warrant consistent with the terms and conditions of the debenture agreement the Company entered into with the holders of the registrable shares listed above.

The Company has agreed to maintain the effectiveness of the registration statement through the earlier of three years from the date of the issuance of the Convertible Debenture due November 2016 or until Rule 144 of the Securities Act is available to the holders to allow them to sell all of their registrable securities thereunder.

See Note 2, Subsequent Events - for discussion of the conversion of the Convertible Debenture due November 2016.

4. SALE OF COMMON STOCK

On July 15, 2014, the Company, raised $4,000,000 of gross proceeds via a registered direct offering of its common stock to certain investors (the "Investors") (the "Offering"). The Company sold an aggregate of 16,000,000 shares of common stock and warrants to purchase an aggregate of 8,000,000 shares of common stock. The purchase price of one share of common stock and a warrant to purchase ½ of a share of common stock was $0.25. The warrants are exercisable immediately as of the date of issuance at an exercise price of $0.40 per share and expire five years from the date of issuance. The exercise price of the warrants is subject to customary adjustment in the case of stock splits, stock dividends, combinations of shares and similar recapitalization transactions. Under certain circumstances, the Company has the right to call for cancellation of warrants for which a notice of exercise has not yet been delivered for consideration equal to $.001 per share. The Offering was effected as a takedown off the Company's shelf registration statement on Form S-3, which became effective on April 25, 2014, pursuant to a prospectus supplement filed with the Securities and Exchange Commission.

5. STOCK BASED COMPENSATION

The Company maintains stock equity incentive plans under which the Company grants non-qualified stock options, stock appreciation rights, stock awards, performance awards, or stock units to employees, directors and consultants.

Stock Option Compensation Expense

We account for stock options granted to employees and directors using the accounting guidance in ASC 718 "Stock Compensation" ("ASC 718"). In accordance with ASC 718, we estimate the fair value of service based stock options and performance based options on the date of grant, using the Black-Scholes pricing model. For options vesting if the trading price of the Company's common stock exceeds price targets we use a Monte Carlo Simulation in estimating the fair value at grant date. We recognize compensation expense for service based stock options and options subject to market conditions over the requisite or implied service period of the grant. For performance based awards, compensation expense is recognized over the requisite or implied service period of the grant when the performance target is deemed probable.

We recorded stock-based compensation expense, related to stock options granted to employees and directors, of approximately $1,562,000 and $2,118,000, during the nine months ended July 31, 2014 and 2013, respectively, and approximately $573,000 and $1,091,000 during the three months ended July 31, 2014 and 2013, respectively. Stock-based compensation expense for the nine months ended July 31, 2014 and 2013 includes approximately $1,089,000 and $1,816,000, respectively, and during the three months ended July 31, 2014 and 2013 approximately $496,000 and $1,014,000, respectively, related to the amortization of compensation cost for stock options granted in prior periods but vested in the current period. As of July 31, 2014, there was unrecognized compensation cost related to non-vested stock options granted to employees and directors, related to service based options of approximately $2,767,000, which will be recognized over a weighted-average period of 1.8 years and related to performance based options of approximately $427,000 which will be recognized when achievement is 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 service based stock options and performance based options at each reporting period, using the Black-Scholes pricing model. For options vesting if the trading price of the Company's common stock exceeds price targets we estimate the fair value at each reporting period using a Monte Carlo Simulation. We recognize compensation expense for service based stock options and options subject to market conditions over the requisite or implied service period of the grant. For performance based awards, compensation expense is recognized when the performance target is achieved.

We recorded consulting expense, related to stock options granted to consultants, during the nine months ended July 31, 2014 and 2013 of approximately $784,000 and $574,000, respectively, and approximately $(103,000) and $147,000 during the three months ended July 31, 2014 and 2013, respectively. Stock-based consulting expense for the nine ended July 31, 2014 and 2013 includes approximately $736,000 and $574,000, respectively, and during the three months ended July 31, 2014 and 2013 approximately $(107,000) and $147,000, respectively, related to the amortization of compensation cost for stock options granted in prior periods but vested in the current period. As of July 31, 2014, there was unrecognized consulting expense related to non-vested stock options granted to consultants, related to service based options of approximately $1,223,000, which will be recognized over a weighted-average period of 1.3 years.

Fair Value Determination

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 performance targets. To determine the weighted average fair value of stock options on the date of grant, employees and directors are included in a single group. The fair value of stock options granted to consultants is determined on an individual basis. The stock options we granted during the nine months ended July 31, 2014 consisted of awards with 10-year terms that vest over one year, options with 10-year terms that vest over 36 months, options with 5-year terms which vest immediately and options with 10-year terms which vest upon achievement of performance milestones. The stock options we granted during the nine months ended July 31, 2013 consisted of awards of options with 5-year terms, which vest over one year and options with 10-year terms which vest in three annual installments commencing on the date of grant or over a nine month period.

The following weighted average assumptions were used in estimating the fair value of stock options granted during the nine months ended July 31, 2014 and 2013, and the three months ended July 31, 2014. No stock options were granted during the three months ended July 31, 2013.

	For the Nine Months Ended July 31,		For the Three Months Ended July 31,
	2014	2013	2014
Weighted average fair value at grant date	$0.22	$0.17	$0.25
Valuation assumptions:			
Expected life (years)	5.79	5.26	5.98
Expected volatility	115.4%	116.5%	115.1%
Risk-free interest rate	1.82%	0.73%	1.93%
Expected dividend yield	0	0	0

The expected term of stock options represents the weighted average period the stock options are expected to remain outstanding. We use the simplified method 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 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.

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 and ASC 505-50 in future periods, the compensation expense that we record may differ significantly from what we have recorded in the current period.

For options vesting if the trading price of the Company's common stock exceeds price targets, we used a Monte Carlo Simulation in estimating expected term and fair value.

Stock Option Activity

During the nine months ended July 31, 2014 and 2013, we granted options to purchase 13,010,000 and 180,000 shares, respectively, of common stock at weighted average exercise prices of $0.22 and $0.20 per share, respectively, pursuant to the ITUS Corporation 2010 Share Incentive Plan (the "2010 Share Plan"). During the nine-month period ended July 31, 2013, in addition to options granted under the 2010 Share Plan, we granted options to our outside directors to purchase 3,000,000 shares at weighted average excise prices of $0.21 per share. During the nine-month periods ended July 31, 2014 and 2013, stock options to purchase 345,000 shares and 146,000 shares, respectively, of common stock were exercised with aggregate proceeds of approximately $51,000 and $26,000, respectively.

Stock Option Plans

As of July 31, 2014, we have two stock option plans: the ITUS Corporation 2003 Share Incentive Plan (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.

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, from August 2012 through November 2012, by the Executive Committee of the Board of Directors and since November 2012, by 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. In accordance with the provisions of the 2003 Share Plan, the plan terminated with respect to the grant of future options on April 21, 2013. Information regarding the 2003 Share Plan for the nine months ended July 31, 2014 is as follows:

	Shares	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Options Outstanding at October 31, 2013	15,638,845	$0.72	
Exercised	(265,000)	$0.145	
Forfeited	(1,389,075)	$0.63	
Options Outstanding and exercisable at July 31, 2014	13,984,770	$0.74	$181,000

The following table summarizes information about stock options outstanding and exercisable under the 2003 Share Plan as of July 31, 2014:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
$0.07 - $0.37	1,595,000	2.64	$0.15
$0.43 - $0.70	4,684,770	1.43	$0.62
$0.74 - $0.92	5,450,000	2.35	$0.86
$1.04 - $1.46	2,255,000	1.49	$1.10

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, on August 29, 2012, the maximum number of shares was further increased to 30,000,000 shares. On November 8, 2013, the Board of Directors approved an amendment to provide that effective November 8, 2013, the maximum aggregate number of shares available for issuance will be 20,000,000 shares and that on the first business day in 2014 and on the first business day of each calendar year thereafter the maximum aggregate number of shares available for issuance shall be replenished such that 20,000,000 shares will be available for issuance. Accordingly, during the nine months ended July 31, 2014, the number of shares in the 2010 Share Plan was increased by 25,634,980 shares to 55,634,980 shares. In addition, on November 8, 2013, the 2010 Share Plan was amended to provide that on January 2nd of each year commencing on January 2, 2014, each non-employee director of the Company at that time shall automatically be granted a 10 year stock option to purchase 300,000 shares of common stock (400,000 for the Chairman) that will vest in four equal quarterly installments. The 2010 Share Plan was administered by the Stock Option Committee through August 2012, from August 2012 through November 2012, by the Executive Committee of the Board of Directors and since November 2012, by 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 2010 Share Plan was equal to the fair market value of the underlying common stock at the grant date. As of July 31, 2014, the 2010 Share Plan had 13,700,000 shares available for future grants. Information regarding the 2010 Share Plan for the nine months ended July 31, 2014 is as follows:

	Shares	Weighted Average Exercise Price Per share	Aggregate Intrinsic Value
Options Outstanding at October 31, 2013	2,984,000	$ 0.25	
Granted	13,010,000	$ 0.22	
Exercised	(80,000)	$ 0.16	
Options Outstanding at July 31, 2014	15,914,000	$ 0.23	$ 612,000
Options Exercisable at July 31, 2014	5,016,222	$ 0.23	$ 229,000

The following table summarizes information about stock options outstanding under the 2010 Share Plan as of July 31, 2014:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
$0.12 - $0.37	15,914,000	8.62	$0.23	5,016,222	6.63	$0.23

In addition to options granted under the 2003 Share Plan and the 2010 Share Plan, in September 2012, the Board of Directors approved the grant of stock options to purchase 41,500,000 shares and, during the year ended October 31, 2013, the Board of Directors approved the grant of stock options to purchase 3,000,000 shares.

Of the stock options granted in September 2012, nonqualified options to purchase 40,000,000 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 who is also a Director. 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) and have a term of ten years. 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, which was satisfied in the fourth quarter of fiscal 2013, and two stock price targets, which were not achieved in fiscal 2013. In November 2013, in light of the cost and expense of revaluing the unvested portion of the performance-based stock options on a quarterly basis for financial reporting purposes, the Board of Directors approved an amendment to the performance-based stock options awarded on September 19, 2012 to the President and Chief Executive Officer, Senior Vice President of Engineering and the strategic advisor. The amendment modifies the option award's vesting conditions to provide that the unvested portion of the stock options vest in 23 consecutive monthly installments commencing November 30, 2013. The fair value of these options was recalculated to reflect the change to service based options as of November 8, 2013 and the unrecognized compensation amount was adjusted to reflect the increase in fair value. As of July 31, 2014, the outstanding options to purchase 40,000,000 shares had an intrinsic value of $1,660,000. As of July 31, 2014, 24,106,280 of these stock options were exercisable with an aggregate intrinsic value of approximately $1,000,000. These stock options otherwise have the same terms and conditions as options granted under the Company's 2010 Share Incentive Plan.

The remaining nonqualified stock options granted in September 2012 to purchase 1,500,000 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 an intrinsic value as of July 31, 2014 of approximately $55,000. 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 July 31, 2014, 1,000,000 options were exercisable with an aggregate intrinsic value of approximately $37,000. These stock options otherwise have the same terms and conditions as options granted under the Company's 2010 Share Incentive Plan.

During the year ended October 31, 2013, nonqualified stock options to purchase 3,000,000 shares were granted to our outside directors for service rendered to our Company. Of these options,

(a) In November 2012, nonqualified stock options to purchase 1,000,000 shares were issued to one of our directors as additional compensation for service in recruiting the Company's new management team. These options have an exercise price of $0.211 (the average of the high and low sales price on date of grant) and vest 333,334 shares upon grant and 333,333 shares in two annual installments commencing November 30, 2013.

(b) In February 2013, nonqualified stock options to purchase 1,000,000 shares were issued to the Chairman of the Board. These stock options have an exercise price of $0.235 (the average of the high and low sales price on date of grant) and vest 333,334 shares upon grant and 333,333 shares in two annual installments commencing February 15, 2014.

(c) In March 2013, nonqualified stock options to purchase an aggregate of 1,000,000 shares were granted to the Company's three outside directors. Each of these stock options has an exercise price of $0.195 (the average of the high and low sales price on date of grant) and vest in four equal quarterly installments commencing March 31, 2013.

As of July 31, 2014, the options to purchase 3,000,000 shares had an intrinsic value of approximately $136,000 and the portion exercisable of 2,333,334 shares had an intrinsic value of approximately $112,000. These options otherwise have the same terms and conditions as options granted under the Company's 2010 Share Incentive Plan.

The following table summarizes information about the above stock options outstanding that were not granted under the 2003 Share Plan or the 2010 Share Plan as of July 31, 2014:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
$0.195-$0.235	44,500,000	8.16	$0.22	27,439,614	8.17	$0.22

Stock Awards

We account for stock awards granted to employees and consultants based on their grant date fair value, in accordance with ASC 718 and ASC 505-50, respectively. During the nine months ended July 31, 2014 and 2013, we issued 130,000 shares and 665,000 shares, respectively, of common stock to consultants for services rendered pursuant to the 2010 Share Plan. We recorded consulting expense for the nine months ended July 31 2014 and 2013 of approximately $41,000 and $168,000, respectively and for the three months ended July 31, 2014 of approximately $6,000 and $117,000, respectively, for the shares of common stock issued to consultants.

6. 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. 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 and liabilities recorded in the accompanying condensed consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Financial assets and liabilities 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 and liabilities 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 and liabilities 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 and liabilities. 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 July 31, 2014:

	Level 1	Level 2	Level 3	Total
Money market funds – Cash and cash equivalents	$ 3,651,564	$ -	$ -	$ 3,651,564
Certificates of deposit Short-term investments	2,550,000	-	-	2,550,000
Videocon Industries Limited global depository receipts	4,150,970	-	-	4,150,970
Total financial assets	$ 10,352,534	$ -	$ -	$ 10,352,534

The following table presents the hierarchy for our financial assets measured at fair value on a recurring basis as of October 31, 2013:

	Level 1	Level 2	Level 3	Total
Money market funds – Cash and cash equivalents	$ 898,172	$ -	$ -	$ 898,172
Videocon Industries Limited global depository receipts	4,197,341	-	-	4,197,341
Total financial assets	$ 5,095,513	$ -	$ -	$ 5,095,513

The following table presents the hierarchy for our financial liabilities measured at fair value on a recurring basis as of July 31, 2014:

	Level 1	Level 2	Level 3	Total
Derivative liability	$ -	$ -	$ 1,900,000	$ 1,900,000
Patent acquisition obligation	-	-	3,136,513	3,136,513
	$ -	$ -	$ 5,036,513	$ 5,036,513

The following table presents the hierarchy for our financial liabilities measured at fair value on a recurring basis as of October 31, 2013:

	Level 1	Level 2	Level 3	Total
Derivative Liability	$ -	$ -	$ 540,000	$ 540,000

The following table sets forth a summary of the changes in the fair value of the Company's Level 3 financial liabilities that are measured at fair value on a recurring basis:

	For the Nine Months Ended July 31, 2014
Derivative liability:	
Beginning balance	$ 540,000
Aggregate fair value of bifurcated conversion feature issued	1,570,000
Change in fair value of bifurcated conversion feature	1,460,704
Fair value of bifurcated conversion features related to the extinguishment of debt	(1,670,704)
Ending balance	$ 1,900,000
Fair value of patent acquisition obligation:	
Beginning balance	$ -
Initial fair value, discounted to present value	2,850,511
Amortized interest on patent obligation	286,002
Ending balance	$ 3,136,513

The Company developed the assumptions that were used as follows: The stock price on the valuation date of the Company's common stock was derived from the trading history of the Company's common stock. The stock premium for liquidity was computed as the premium required to adjust for the effect of the additional time that it would be expected to take for the market to absorb the converted shares and warrant exercises, given the Company's current trading volume. The term represents the remaining contractual term of the derivative; the volatility rate was developed based on analysis of the Company's historical volatility; the risk free interest rate was obtained from publicly available US Treasury yield curve rates; the dividend yield is zero because the Company has not paid dividends and does not expect to pay dividends in the foreseeable future.

Our non-financial assets 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. 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 and related warrants. Cash and cash equivalents are stated at carrying value which approximates fair value. These assets and liabilities were not presented in the preceding table.

7. INVESTMENTS

At July 31, 2014, we had marketable securities consisting of certificates of deposit of $2,550,000, which were classified as "available-for-sale securities" and reported at fair value.

The fair value of investment in Videocon Industries Limited (“Videocon”) global depository receipts (‘Videocon GDRs”) as of July 31, 2014 and October 31, 2013, and the unrealized loss for the nine months ended July 31, 2014, are as follows:

	Investment in Videocon
Fair Value as of October 31, 2013	$ 4,197,341
Unrealized loss	(46,371)
Fair Value as of July 31 2014	$ 4,150,970

See Note 2, Subsequent Event – for discussion of the disposition of this investment in August 2014.

8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expense consist of the following as of:

	July 31, 2014	October 31, 2013
Accounts payable	$ 529,340	$ 527,208
Payroll and related expenses	363,336	345,484
Accrued litigation expense, consulting and other professional fees	209,244	248,730
Accrued other	202,651	155,048
	$ 1,304,571	$ 1,276,470

9. 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 periods 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 nine and three months ended July 31, 2014 and 2013, were stock options to purchase 74,398,770 and 63,182,845 shares respectively, and warrants to purchase 25,923,281 and 9,878,759 shares, respectively and debentures convertible into 18,498,943 shares and 9,600,480 shares respectively.

10. EFFECT OF RECENTLY ADOPTED AND ISSUED PRONOUNCEMENTS

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2013-11 ("ASU 2013-11") which requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carry forward that would apply in settlement of the uncertain tax positions. Under the new standard, unrecognized tax benefits will be netted against all available same-jurisdiction loss or other tax carry forwards that would be utilized, rather than only against carry forwards that are created by the unrecognized tax benefits. ASC 2013-11 is effective for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2013. The adoption of ASC 213-11 on November 1, 2014 is not expected to have a material effect on our consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update 2014-09 ("ASU 2014-09"), "Revenue from Contracts with Customers". The amendments in ASU 2014-9 create Topic 606, Revenue from Contracts with Customers, and supersede the revenue recognition requirements in Topic 605, Revenue Recognition, including most industry-specific revenue recognition guidance. In addition, the amendments supersede the cost guidance in Subtopic 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts, and create new Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 2014-09 is effective for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2016. The adoption of ASC 213-11 on November 1, 2017 is not expected to have a material effect on our consolidated financial statements.

11. INCOME TAXES

We file Federal, New York State and California State income tax returns. Due to net operating losses, the statute of limitations remains open since the fiscal year ended October 31, 1997. We account for interest and penalties related to income tax matters in marketing, general and administrative expenses. There are no unrecognized income tax benefits as of July 31, 2014 and October 31, 2013.

12. COMMITMENT AND CONTINGENCES

Patent Acquisition Obligations

As of July 31, 2014, we have incurred obligations due no later than November 2017 related to the acquisition of patents, which have a discounted present value of approximately $3,137,000, and which amount will be reduced by royalties paid during the period. The payment due in November 2017 is payable at the option of the Company in cash or common stock.

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 (the "AUO/E Ink Lawsuit"). 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. However, it is reasonably possible that the Company will not prevail on its damages claims in arbitration. Pursuant to the terms of the related arbitration agreement, the Company may be liable for AUO's attorney's fees, which may exceed $1 million, if the Company does not prevail.

The operations of the Company involve patent licensing and enforcement in connection with the unauthorized use of patented technologies. 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.

You should rely only on the information contained in this document. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

Additional risks and uncertainties not presently known or that are currently deemed immaterial may also impair our business operations. The risks and uncertainties described in this document and other risks and uncertainties which we may face in the future will have a greater impact on those who purchase our common stock. These purchasers will purchase our common stock at the market price or at a privately negotiated price and will run the risk of losing their entire investment.

ITUS CORPORATION

9,249,472 Shares of
Common Stock

PROSPECTUS

, 2014

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The Company is paying all expenses of the offering. No portion of these expenses will be borne by the selling security holder. The selling security holder, however, will pay any other expenses incurred in selling its common stock, including any brokerage commissions or costs of sale. Following is an itemized statement of all expenses in connection with the issuance and distribution of the securities to be registered. All of the amounts shown are estimates, except for the SEC Registration Fees.

SEC Registration Fee	$ 450.62
Accounting Fees and Expenses	$ 10,000.00
Legal Fees and Expenses	$ (1)
Miscellaneous Fees and Expenses	$ 1,548.38
Total	$ (1)

(1) To be included in an amendment to this Registration Statement.

ITEM 14. INDEMNIFICATION OF OFFICERS AND DIRECTORS

Under Section 145 of the DGCL, a corporation may indemnify its directors, officers, employees and agents and its former directors, officers, employees and agents and those who serve, at the corporation's request, in such capacities with another enterprise, against expenses (including attorney's fees), as well as judgments, fines and settlements, actually and reasonably incurred in connection with the defense of any action, suit or proceeding (other than an action by or in the right of the corporation) in which they or any of them were or are made parties or are threatened to be made parties by reason of their serving or having served in such capacity. The DGCL provides, however, that such person must have acted in good faith and in a manner he or she reasonably believed to be in (or not opposed to) the best interests of the corporation and, in the case of a criminal action, such person must have had no reasonable cause to believe his or her conduct was unlawful. In addition, the DGCL does not permit indemnification in an action or suit by or in the right of the corporation, where such person has been adjudged liable to the corporation for negligence or misconduct in the performance of his/her duty to the corporation, unless, and only to the extent that, a court determines that such person fairly and reasonably is entitled to indemnity for costs the court deems proper in light of liability adjudication. Indemnity is mandatory to the extent a claim, issue or matter has been successfully defended.

Section 102(b)(7) of the DGCL permits a corporation to include in its certificate of incorporation a provision eliminating or limiting the personal liability of a director to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL (relating to unlawful payment of dividends and unlawful stock purchase or redemption) or (iv) for any transaction from which the director derived an improper personal benefit.

Article XIII of the By-Laws of the Company contains provisions which are designed to provide mandatory indemnification of directors and officers of the Company to the full extent permitted by law, as now in effect or later amended. The By-Laws further provide that, if and to the extent required by the DGCL, an advance payment of expenses to a director or officer of the Company that is entitled to indemnification will only be made upon delivery to the Company of an undertaking, by or on behalf of the director or officer, to repay all amounts so advanced if it is ultimately determined that such director is not entitled to indemnification.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

On September 12, 2012, we completed a private placement with 5 accredited investors, including Lewis H. Titterton, Jr., the Company's Chairman and then Chief Executive Officer, and Bruce Johnson, a director of the Company, pursuant to which we sold $750,000 principal amount of 8% Convertible Debentures due September 2016 (the "2012 Debentures"). In February 2013, $600,000 principal amount of the 2012 Debentures were converted into 6,521,736 shares of our common stock and an additional 68,116 shares were issued in payment of accrued interest. In April 2013, the remaining $150,000 principal amount of 2012 Debentures was converted into 1,663,043 shares of our common stock. The 2012 Debentures were not be registered under the Securities Act in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act, and Rule 506 promulgated thereunder, based on the fact that all of the investors were "accredited investors," as such term is defined in Rule 501 of Regulation D.

On September 19, 2012, the Board granted stock options to purchase 41,500,000 shares. Of these options, options to acquire 40,000,000 shares were issued to the new management team and have an exercise price of $0.2175. 20,000,000 of those options will vest only if certain milestones are met. The remaining options to acquire 1,500,000 shares were issued to Lewis H. Titterton, Jr. the Company's Chairman, and Kent Williams, a former director of the Company, and have an exercise price of $0.2225. For additional information with respect to the options, see "Security Ownership of Certain Beneficial Owners and Management – Equity Compensation Plan Information" above. These options were issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act as they were issued to accredited investors, without a view to distribution, and were not issued through any general solicitation or advertisement

On January 25, 2013, 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 "2013 Investors"), pursuant to which we sold $1,765,000 principal amount of 8% Convertible Debentures due in January 2015 (the "2013 Debentures") and warrants (the "2013 Warrant") to purchase 5,882,745 shares of common stock (the "2013 Warrant Shares"). From June 2013 through April 2014, all of the January 2013 Debentures were either converted into shares of common stock or paid back in full. Each 2013 Warrant grants the holder the right to purchase the 2013 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 2013 Warrant Shares, 2013 Warrants may be exercised on a cashless basis. The 2013 Debenture and 2013 Warrant were issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act, and Rule 506 promulgated thereunder, as they were issued to accredited investors, without a view to distribution, and were not issued through any general solicitation or advertisement.

In connection with the January 25, 2013 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 2013 Investors they introduced to us) and issued to and its designees warrants to purchase 276,014 shares of common stock (or 6% of the aggregate number of shares underlying the 2013 Debentures issued to the 2013 Investors they introduced to us) upon the same terms as the 2013 Warrants issued in the offering. The warrant was issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act as they were issued to accredited investors, without a view to distribution, and were not issued through any general solicitation or advertisement.

Pursuant to the terms of an agreement, dated as of October 18, 2012, between the Company and Netgain Financial, Inc. ("Netgain"), on each of October 18, 2012 and January 18, 2013, the Company issued Netgain 125,000 shares of restricted common stock in payment of public relations and communications services. The Company terminated the agreement on April 9, 2013. The common stock was issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act as they were issued to accredited investors, without a view to distribution, and were not issued through any general solicitation or advertisement.

On March 28, 2013, the Board of Directors granted Messrs. Titterton, Johnson and Williams non-qualified stock options to purchase 400,000, 300,000 and 300,000 shares of our common stock, respectively. These stock options (i) vested in four equal installments on March 31, 2013, June 30, 2013, September 30, 2013 and December 31, 2013, (ii) will terminate on December 31, 2022 and (iii) have an exercise price of $0.195. These options were issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act as they were issued to accredited investors, without a view to distribution, and were not issued through any general solicitation or advertisement

On April 3, 2013, the Company, through its wholly owned subsidiary, IPAC, entered into an exclusive license agreement (the "IPAC Agreement") pursuant to which it acquired the rights to a patent portfolio relating to loyalty awards programs commonly provided by airlines, credit card companies, hotels, retailers, casinos, and others.

The patent portfolio consists of 13 patents (the "Patents") that cover the conversion of non-negotiable, loyalty awards points into negotiable funds used to purchase goods and services from third parties, and the conversion of awards points into points and awards provided by other loyalty program providers. Pursuant to the IPAC Agreement, the licensors will receive a percentage of all amounts received by IPAC from licensing and enforcement of the Patents and were issued 200,000 restricted shares of the Company's common stock. The common stock was issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act as they were issued to accredited investors, without a view to distribution, and were not issued through any general solicitation or advertisement.

On April 23, 2013 the Company entered into the Stock Purchase Agreement with Aspire Capital which provides that, upon the terms and subject to the conditions and limitations set forth therein, Aspire Capital is committed to purchase up to an aggregate of $10 million of shares of the Company's common stock over the two-year term of the agreement. Under the agreement, on April 23, 2013 (i) Aspire Capital purchased 2,500,000 shares of our common stock at $0.20 per share, with gross proceeds to the Company of $500,000, and (ii) Aspire Capital was issued 3,500,000 shares of common stock as a commitment fee. The common stock was issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act as they were issued to accredited investors, without a view to distribution, and were not issued through any general solicitation or advertisement.

On May 29, 2013, the Company offered the holders of the warrants issued in a February 2011 private placement the opportunity to exercise the warrants at a reduced exercise price of $0.16 per share (payable in cash) during the period ended July 15, 2013. In connection therewith, Lewis H. Titterton, Jr., the Company's Chairman, Bruce Johnson, a director of the Company, and Henry P. Herms, the Company's Chief Financial Officer and a former director, exercised warrants to purchase 1,400,000, 700,000 and 280,000 shares of our common stock and we received gross proceeds of $380,800. On June 17, 2013, Mr. Krusos, our former Chief Executive Officer, exercised the warrants previously issued to him in our February 2011 private placement on a "cashless" basis and received 547,493 shares of our common stock. The common stock was issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act as they were issued to accredited investors, without a view to distribution, and were not issued through any general solicitation or advertisement.

From October 18, 2012 through October 15, 2013, the Company entered into various agreements with companies to provide investor relations and public relations services to us for which the Company issued an aggregate of 1,490,000 shares of our common stock in payment for such services. The common stock was issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act as they were issued to accredited investors, without a view to distribution, and were not issued through any general solicitation or advertisement.

During the period from April 2013 to November 2013, the Company issued an aggregate of 1,200,000 shares of our common stock to various inventors in connection with the acquisition of rights to patent portfolios. The common stock was issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act as they were issued to accredited investors, without a view to distribution, and were not issued through any general solicitation or advertisement.

On November 11, 2013, we completed a private placement with a single institutional investor, pursuant to which the Company issued a $3,500,000 principal amount of 6% Convertible Debenture due 2016 at an exercise price of $0.1892 per share and a Warrant to purchase 9,249,472 shares of our common stock at an exercise price of $0.3784 per share. The Debenture and Warrant were issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act as they were issued to accredited investors, without a view to distribution, and were not issued through any general solicitation or advertisement. On September 9, 2014, we entered into the Debt Conversion Agreement, pursuant to which the Debenture was converted into shares of common stock, some of which were subsequently exchanged into shares of Series A Preferred Stock, and the exercise price of the Warrant was reduced to $0.31 per share. The conversion of the Debenture and the exchange of common stock for Series A Preferred Stock were exempt from registration pursuant to Section 3(a)(9) of the Securities Act.

During the six months ended April 30, 2014, the Company issued an aggregate of 110,000 shares of our common stock to various companies in payment of public relations and investor relations services. The common stock was issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act as they were issued to accredited investors, without a view to distribution, and were not issued through any general solicitation or advertisement.

During the three months ended July 31, 2014, the Company issued an aggregate of 20,000 shares of our common stock to various companies in payment of public relations and investor relations services and 200,000 shares of our common stock to inventors in connection with the acquisition of patents. The common stock was issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act as they were issued to accredited investors, without a view to distribution, and were not issued through any general solicitation or advertisement.

During the three months ended October 31, 2014, the Company issued an aggregate of 180,000 shares of our common stock to various companies in payment of public relations and investor relations services . The common stock was issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act as they were issued to accredited investors, without a view to distribution, and were not issued through any general solicitation or advertisement

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following exhibits are filed with this registration statement.

3.1	Certificate of Incorporation, as amended. (Incorporated by reference to Form 10-Q for the fiscal quarter ended July 31, 1992 and Form S-3, dated February 11, 2014.)
3.2	Amendment to the Certificate of Incorporation. (Incorporated by reference to Form 10-K for the fiscal year ended October 31, 2013.)
3.3	Certificate of Amendment to the Certificate of Incorporation. (Incorporated by reference to Exhibit 3.1 on Form 8-K, dated September 4, 2014.)
3.4	Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock. (Incorporated by reference to Exhibit 3.1 of our Form 8-K, dated September 10, 2014.)
3.5	Amended and Restated By-laws. (Incorporated by reference to Exhibit 3.1 to our Form 8-K dated, November 8, 2012.)
4.1	Registration Rights Agreement, dated as of April 23, 2013, by and between the Company and Aspire Capital Fund, LLC. (Incorporated by reference to Exhibit 4.3 to our Form S-1, dated April 24, 2013.)
5.1	Opinion of Ellenoff Grossman & Schole LLP covering 9,249,472 shares of common stock issuable upon exercise of a warrant.(Incorporated by reference to Exhibit 5.1 to our Form S-3. filed February 7,2014.)
5.2	Opinion of Ellenoff Grossman & Schole LLP covering 2,520,000 shares of common stock and 18,498,943 shares of common stock issuable upon conversion of shares of Series A Convertible Preferred Stock.(Filed herewith.)
10.1	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 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 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 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 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 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 2003 Share Incentive Plan. (Incorporated by reference to Exhibit 10.5 to our Form 8-K, dated July 20, 2010.)
10.8	2010 Share Incentive Plan. (Incorporated by reference to Exhibit 10.1 to our Form 8-K, dated July 20, 2010.)
10.9	Amendment No. 1 to the 2010 Share Incentive Plan. (Incorporated by reference to Exhibit 10.1 to our Form 8-K, dated July 7, 2011.)
10.10	Amendment No. 2 to the 2010 Share Incentive Plan. (Incorporated by reference to Exhibit 10.1 to our Form 8-K, dated September 5, 2012.)
10.11	Amendment No. 3 to the 2010 Share Incentive Plan (Incorporated by reference to Exhibit 10.1 to our Form 10-Q for the fiscal quarter ended January 31, 2014.)
10.12	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.)
10.13	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.)
10.14	Employment Agreement, dated as of September 19, 2012, between the Company and Robert Berman. (Incorporated by reference to Exhibit 10.35 to our Form 10-K for the fiscal year ended October 31, 2012.) (Portions of Section 4 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 May 3, 2013, File No. 0-11254-CF#29240, granting confidential treatment for portions of Section 4 of this exhibit to pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.)
10.15	Employment Agreement, dated as of September 19, 2012, between the Company and John Roop. (Incorporated by reference to Exhibit 10.36 to our Form 10-K for the fiscal year ended October 31, 2012.) (Portions of Section 4 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 May 3, 2013, File No. 0-11254-CF#29240, granting confidential treatment for portions of Section 4 of this exhibit to pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.)
10.16	Consulting Agreement, dated as of September 19, 2012, between the Company and Amit Kumar. (Incorporated by reference to Exhibit 10.37 to our Form 10-K for the fiscal year ended October 31, 2012.) (Portions of Section 4 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 May 3, 2013, File No. 0-11254-CF#29240, granting confidential treatment for portions of Section 4 of this exhibit to pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.)
10.17	Employment Agreement, dated as of July 8, 2014, between the Company and Tisha Stender. (Filed herewith.)

10.18	Securities Purchase Agreement, dated July 15, 2014, between the Company and the Purchasers named therein in connection with the Company's registered direct offering. (Incorporated by reference to Exhibit 10.1 to Form 8-K, dated July 15, 2014.)
10.19	Form of Warrant issued to investors in connection with the Company's registered direct offering. (Incorporated by reference to Exhibit 4.1 to Form 8-K, dated August 15, 2014).
10.20	Termination Agreements, each dated August 29, 2014, relating to the Company's transaction with Videocon Industries Limited. (Filed herewith.)
10.21	Debt Conversion Agreement, dated September 9, 2014, between the Company and Adaptive Capital, LLC. (Filed herewith.)
10.22	Warrant issued to Adaptive Capital, LLC. (Filed herewith.)
21.1	Subsidiaries of ITUS Corporation. (Filed herewith.)
23.1	Consent of Haskell & White LLP. (Filed herewith.)
23.2	Consent of Ellenoff Grossman & Shole LLP. (Included in Exhibit 5.2)
24.1	Power of Attorney. (See signature page.)
101.ins	Instance Document. (Filed herewith.)
101.def	XBRL Taxonomy Extension Definition Linkbase Document. (Filed herewith.)
101.sch	XBRL Taxonomy Extension Schema Document. (Filed herewith.)
101.cal	XBRL Taxonomy Extension Calculation Linkbase Document. (Filed herewith.)
101.lab	XBRL Taxonomy Extension Label Linkbase Document. (Filed herewith.)
101.pre	XBRL Taxonomy Extension Presentation Linkbase Document. (Filed herewith.)

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) If the registrant is relying on Rule 430B:

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date; or

(ii) If the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Melville, State of New York on this 8th day of December, 2014.

ITUS CORPORATION

By: /s/ Robert A. Berman
Name: Robert A. Berman
Title: President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert Berman his true and lawful attorney-in-fact, with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities to sign any and all amendments including post-effective amendments to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the SEC, hereby ratifying and confirming all that said attorney-in-fact or his substitute, each acting alone, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

By: /s/ Robert A. Berman — December 8, 2014
Robert A. Berman
President, Chief Executive Officer
and Director (Principal Executive Officer)

By: /s/ Henry P. Herms — December 8, 2014
Henry P. Herms
Vice President – Finance and
Chief Financial Officer
(Principal Financial and Accounting Officer)

By: /s/ Lewis H. Titterton Jr. — December 8, 2014
Lewis H. Titterton Jr.
Chairman of the Board

By: /s/ Dr. Amit Kumar — December 8, 2014
Dr. Amit Kumar
Director

By: /s/ Dr. Andrea Belz — December 8, 2014
Dr. Andrea Belz
Director

By: /s/ Bruce F. Johnson — December 8, 2014
Bruce F. Johnson
Director

By: /s/ Dale Fox — December 8, 2014
Dale Fox
Director

EXHIBIT 5.2

ELLENOFF GROSSMAN & SCHOLE LLP
1345 AVENUE OF THE AMEICAS
NEW YORK, NEW YORK 10105
TELEPHONE: (212) 370-1300
FACSIMILE: (212) 370-7889
www.egsllp.com

December 8, 2014

ITUS Corporation
900 Walt Whitman Road
Melville, NY 11747

Ladies and Gentlemen:

Reference is made to the Registration Statement on Form S-1 (as amended, the "**Registration Statement**") under the Securities Act of 1933, as amended (the "**Securities Act**") filed by ITUS Corporation, a Delaware corporation (the "**Company**"), with the U.S. Securities and Exchange Commission (the "**Commission**"). The Registration Statement relates to the registration by the Company for resale by the selling stockholder listed in the prospectus included as part of the Registration Statement ("**Selling Stockholder**") of up to an aggregate of 21,018,943 shares of common stock, par value $0.01 per share, of the Company (the "**Common Stock**"), which consists of 2,520,000 shares of Common Stock (the "**Shares**") and 18,498,943 shares of Common Stock (the "**Series A Common Shares**") underlying the Company's Series A Convertible Preferred Stock (the "**Series A Preferred Stock**"). This Registration Statement also serves as a Post-Effective Amendment to Registration Statement No. 333-193826, the securities of which we opined upon previously. This opinion letter is furnished to you at your request to enable you to fulfill the requirements, in connection with the Registration Statement, of Item 601(b)(5) of Regulation S-K promulgated by the Commission.

We have examined such documents and considered such legal matters as we have deemed necessary and relevant as the basis for the opinion set forth below including, without limitation: (i) the Registration Statement, as amended to date; (ii) the Certificate of Incorporation and Bylaws of the Company, each as amended to date (including the Certificate of Designations of the Series A Preferred Stock); (iii) that certain Debt Conversion Agreement by and among the Company and the Selling Stockholder (the "**Debt Conversion Agreement**"), and (iv) records of meetings and consents of the Board of Directors of the Company provided to us by the Company. With respect to such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as reproduced or certified copies, and the authenticity of the originals of those latter documents. As to questions of fact material to this opinion, we have, to the extent deemed appropriate, relied upon certain representations of certain officers of the Company.

Based upon and subject to the foregoing, we are of the opinion that (i) the Shares have been duly authorized, validly issued, fully paid and non-assessable and (ii) the Series A Common Shares have been duly authorized for issuance, and upon due conversion in accordance with the terms of the Series A Preferred Stock, and when certificates for the same have been duly executed and countersigned and delivered or other proper evidence of ownership is issued in electronic form in accordance with and pursuant to the terms of the Series A Preferred Stock, the Series A Common Shares will be duly and validly issued, fully paid and non-assessable.

We are opining solely on all applicable statutory provisions of the Delaware General Corporation Law and all applicable judicial determinations in connection therewith. We express no opinion as to whether the laws of any jurisdiction are applicable to the subject matter hereof. We are not rendering any opinion as to compliance with any federal or state law, rule or regulation relating to securities, or to the sale or issuance thereof. This opinion is based upon currently existing statutes, rules, regulations and judicial decisions, and we disclaim any obligation to advise you of any change in any of these sources of law or subsequent legal or factual developments which might affect any matters or opinions set forth herein.

We hereby consent to the use of this opinion as an exhibit to the Registration Statement, to the use of our name as your counsel and to all references made to us in the Registration Statement and in the prospectus forming a part thereof. In giving this consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act, or the rules and regulations promulgated thereunder. This opinion is given as of the effective date of the Registration Statement, and we are under no duty to update the opinions contained herein.

We further hereby consent to the filing of this opinion as Exhibit 5.1 to the Registration Statement and to the reference to our firm under "Legal Matters" in the related prospectus.

Very truly yours,

/s/ Ellenoff Grossman & Schole LLP

Exhibit 10.17

EMPLOYMENT AGREEMENT

This Employment Agreement *("Agreement")* is hereby made and entered into as of the 8th day of July, 2014 (the "Effective Date"), by and between COPYTELE, INC., a Delaware corporation (the ***"Company"),*** and Tisha Stender *("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 13 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, she shall serve as Chief Operating and Legal Officer of the Company (an exempt position), report to the CEO 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 CEO may from time to time reasonably prescribe. Employee will be permitted to work from a home office or Company's offices in Texas, in the event that Company elects to open an office there.

(b) Except as to any pre-existing obligations, memberships or positions for which Employee has notified the CEO in writing, or as may otherwise be approved by the CEO, Employee shall not accept any memberships on the boards of directors of, or other offices or positions in, companies or organizations which, in the reasonable judgment of the CEO, will conflict with Employee's obligations under Sections 5 and 7, and which may present any conflicts of interest with the interests of the Company or any of its subsidiaries or materially and substantially affect the performance of Employee's duties. Except during vacation periods and reasonable periods of absence due to sickness, personal injury or other disability and except between the Effective Date and August 4, 2014 (the "Transition Period"), Employee shall devote her full working time during normal business hours throughout her term of employment to the services required of Employee hereunder, shall render her services exclusively to the Company and its subsidiaries during his term of employment, and shall use her reasonable 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 her term of employment, the Company shall, pay or shall cause to be paid to Employee: (i) an annual base salary of $277,000 *("Annual Salary")* for her efforts effective August 4, 2014; and (ii) an aggregate salary of $10,000 for her efforts during the Transition Period *("Transition Salary")*. 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 (except the Transition Salary may be paid at the convenience of Company at any date prior to September 1, 2014).

(b) ***Bonus***. Employee shall be eligible to receive one or more cash bonuses at the reasonable discretion of the Chief Executive Officer.

(c) ***Equity Rights***. On the date hereof, as additional compensation for her services to the Company under this Agreement, and upon approval of Company's Board of Directors ("Board") the Company shall grant 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 2,000,000 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 (the ***"Grant Date"***), shall expire ten years after the Grant Date and shall vest in 36 equal monthly installments commencing on the Grant Date (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 2,000,000 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: (a) 1,000,000 shares upon the achievement of aggregate licensing revenue of $10,000,000 from licensing and settlement transactions occurring after the date hereof, with the exception of revenue received from AU Optronics and E Ink; and. (b) 1,000,000 shares upon the achievement of aggregate licensing revenue of $25,000,000 from licensing and settlement transactions occurring after the date hereof, with the exception of revenue received from AU Optronics and E Ink, and otherwise pursuant to the terms and conditions of 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. In addition to the Equity Rights set forth above, Employee shall be eligible for merit based increases in salary, and additional bonuses and equity rights, which shall be reviewed no less than once every 12 months, in such frequency and amounts similar to the Company's other senior executive officers at the "C-Suite" level, as that term is commonly used,

(d) ***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 (with coverage for Employee and her family) or other employee welfare benefit plans that may be provided by the Company to the Chief Executive Officer and other similarly situated employees, 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 her term of employment, provided however that Company shall continue to provide health benefits throughout Employee's employment. Employee shall also be entitled to annual paid vacation and other leave in accordance with any Company policy that may be applicable to the Chief Executive Officer. All of the foregoing in this Section 4 shall be collectively referred to herein as the ***"Benefits."***

Section 5. Expenses. The Company recognizes that Employee may incur certain out-of-pocket expenses related to her 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 her 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, specifically including her bar dues and reasonable MCLE expenses, and any other 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,

Section 6. 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, any unpaid reasonable and necessary expenses under Section 5, 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 7 through 25 shall survive termination of this Agreement and continue in full force and effect for the period provided therein.

Section 7. Confidentiality and Non-Disclosure.

(a) **Protection of Company Confidential. Information.** Employee agrees to use her reasonable efforts to protect and hold in confidence all Company Confidential Information, as defined in Section 23(e) below. Employee acknowledges and agrees that her relationship with the Company with respect to. Confidential Information is fiduciary in nature. Employee agrees that she 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 her 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 her reasonable efforts to protect and hold in confidence all of the Company's Trade Secrets, as defined in Section 23(h) below. Employee agrees that she 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 7(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 her 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 her or her rights in an invention to her or her employer shall not apply to an invention that the employee developed entirely on her 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 her employment with the Company that have been made or conceived of or first reduced to practice by Employee alone or jointly with others before her 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 her 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 her 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 7(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. Notwithstanding the foregoing and for the avoidance of doubt, Employee may retain a copy of the contact information she obtains during her employment as well as any documents reasonably necessary to preserve a record of her diligence in performing her activities during her engagement with Company.

(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 8. Indemnification and Insurance Obligations. Company has and shall continue to maintain D&O and E&O insurance of at least $5,000,000. 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 9. 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 Cause, Employee shall not directly induce or encourage:

(i) any employee, or director of the Company to leave her position or seek employment or association with any Person (defined at Section. 23(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 10. Enforcement of Covenants.

(a) Employee agrees that damages at law for violation of the covenants contained in Sections 8 and 10 may 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 seek a temporary or permanent injunction over the person and subject matter, prohibiting any further violation of any such covenants. 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 11. 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, while employed by the Company or serving as a director of the Company, as the case may be, shall not 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 12. Negotiation at Arms' Length. Employee acknowledges that he has been informed of the advisability of consulting with her 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 13. 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 13):

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: Tisha Stender
14831 Bellbrook Drive
Addison, TX 75254
Email tishastender100@gmaiLeom

Section. 14. 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 15. 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, her employment may be terminated at any time, by the Company upon 90 days prior written notice.

Section 16. 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 16. 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 17. Assignment. Employee acknowledges that her services are unique and personal. Accordingly, Employee may not assign her rights or delegate her duties or obligations under this Agreement, except with respect to certain rights to receive payments as described in Section 4(a).

Section 18. 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 19. 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 20. 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 21. 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 22. Headings. Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

Section 23. 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 wets 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 a primary market as reported by Bloomberg L.P., or any organization performing similar functions.

Section 24. 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 25. Exhibits. Any Exhibits attached hereto are incorporated herein by reference and are an integral part of this Agreement.

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:

/s/ Tisha Stender
Tisha Stender

COPYTELE, INC.

By: /s/ Robert A. Berman
Name: Robert A. Berman
Title: President and CEO

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 10.20

TERMINATION AGREEMENT

Termination Agreement, dated as of August 29, 2014, by and between CopyTele, Inc., a Delaware corporation having an address at 900 Walt Whitman Road, Melville, New York 11747 ("CopyTele"), and Videocon Industries Limited, a company existing under the laws of India, having its principal place of business at 2nd Floor, Fort House, D.N. Road, Fort, Mumbai, 400 001 India ("Videocon").
(CopyTele and Videocon are sometimes herein referred to collectively as the "Parties" and each individually as a "Party");

WHEREAS the Parties had entered into an Amended and Restated Technology License Agreement with an. Effective Date of May 16, 2008 ("Agreement"); and

WHEREAS, pursuant to Section 11.02(e) of the Agreement, the Parties wish to terminate the Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. All capitalized terms used herein shall have the same meaning as set forth in the Agreement unless otherwise specified herein.

2. The Agreement, and any and all licenses and sublicenses granted thereunder, are hereby terminated, effective as of the date hereof ("Effective Termination Date").

3. As of the Effective Termination Date, Videocon shall, and shall cause any Sublicensees to, immediately cease all use of (a) the CopyTele Technology, the Patent Rights, the Copyright Rights and the Trade Secrets, (b) the Improvements, (c) any and all Confidential Information provided by CopyTele to Videocon, and (d) any materials and/or information based upon or derived from any of the foregoing (collectively, the "CopyTele Intellectual Property"). Further, as of the Effective Termination Date, CopyTele shall immediately cease to use any and all Confidential Information provided by Videocon to CopyTele and forthwith return all such Confidential Information to Videocon.

4. Videocon acknowledges and agrees that as of the Effective Termination Date, all rights in the CopyTele Intellectual Property, which were granted, to Videocon pursuant to the Agreement shall revert to CopyTele and that Videocon has relinquished any and all rights, claims or interest in and to any of the. CopyTele Intellectual Property.

5. Assignment of Rights

(i) Videocon hereby assigns, and shall, if necessary, cause all employees of Videocon (including contractors or agents of Videocon) to assign, to CopyTele, one hundred percent (100%) of Videocon's rights in and to any Improvements developed, conceived or reduced to practice pursuant to the Agreement, as well as all of Videocon's or such Sublicensee's rights in or to any copyrights and/or trade secrets (collectively, "Assigned Rights").

(ii) On and after the Effective Termination Date, CopyTele shall own one hundred percent (100%) of all such Assigned Rights as fully and exclusively as they would have been owned by Videocon or such Sublicense had this assignment not been made.

(iii) Section 5 of this Termination Agreement shall supersede section 5.01 of the Agreement.

6. The execution and performance of this Termination Agreement shall be deemed to be sufficient compliance by Videocon of Article XII of the Agreement (including, for the avoidance of doubt, Article XII(d)).

7. It is hereby agreed and confirmed by both the Parties that on and from the date of execution of this Termination Agreement, the Agreement shall stand terminated in entirety and all the rights and obligations of the all the Parties under the Agreement shall come to end. On and from the date hereof, no Party shall have any claim of any nature whatsoever, arising out of or in relation to the provisions of the Agreement (including all amendments and modifications thereof) or the understanding between the Parties set out therein. It is further agreed that on and from the date of execution of this Termination Agreement, the understanding between the Parties reflected in the letter dated November 2, 2007 from CopyTele to Videocon (as accepted by Videocon) shall stand terminated in its entirety and neither Party shall hereinafter be entitled to any rights pursuant to the aforementioned letter.

8. In full and final settlement of all claims (whether past, present or future), each Party hereby expressly and unconditionally releases, cancels, forgives and forever discharges the other Party from all further obligations under the Agreement and from any actions, claims, demands, damages, obligations, liabilities, controversies and executions of any kind or nature whatsoever, whether known or unknown, whether suspected or not, which have arisen, or may have arisen, or may arise out of the subject-matter of the Agreement on account of any act or omission of such Party, whether in the past, present or future. it is further agreed that on and from the date of execution of this Termination Agreement, the understanding between the Parties reflected in the letter dated November 2, 2007 from CopyTele to Videocon (as accepted by Videocon) shall stand terminated in its entirety and neither Party shall hereinafter be entitled to any rights pursuant to the aforementioned letter.

9. This Termination Agreement shall be, governed and construed in accordance with the laws of India without giving effect to conflict of laws and any dispute arising out of or in relation to this Termination Agreement shall be resolved by arbitration (“Arbitration”) to be conducted in accordance with the United Nations Commission on International Law Arbitration Rules (“Rules”). The Arbitration shall be conducted by a sole arbitrator, to be appointed jointly by the Parties; provided that in the event of the Parties failing to appoint such sole arbitrator within a period of 15 (fifteen) days from the date on which the claimant first notifies the respondent of its intention to commence Arbitration, such arbitrator shall be appointed in the manner as prescribed by the Rules. The seat of Arbitration shall be in London, England, United Kingdom and the Arbitration shall be conducted in English language.

10. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument and any Party may execute this Agreement by signing any one or more of such originals or counterparts.

11. This Termination Agreement sets out the entire understanding of the Parties in relation to the matters set forth herein and supersedes all prior discussions and / or understanding between the Parties in this regard,

IN WITNESS WHEREOF, the Parties have duly executed this Termination Agreement as of the date first written above.

COPYTELE, INC.

BY: /s/ Henry Herms
Name: Henry Herms
Title: Chief Financial Officer

VIDEOCON INDUSTRIES LTD.

By: /s/ Venugopal N. Dhoot
Name: Venugopal N. Dhoot
Title: Chairman& Managing Director

AMENDMENT AND TERMINATION AGREEMENT

This **AMENDMENT AND TERMINATION AGREEMENT**, (the "**Agreement**") dated as of August 29, 2014, is made by and between CopyTele International Ltd., a company incorporated under the laws of the British Virgin Islands (hereinafter referred to as "**CopyTele Sub**"), on the one hand, and Mars Overseas Limited, a company incorporated under the laws of the Cayman Islands (hereinafter referred to as "**Mars Overseas**"). CopyTele Sub and Mars Overseas are individually referred to herein as a "**Party**" and collectively referred to as the "**Parties**".

WHEREAS, pursuant to a Share Subscription Agreement (the "**Share Subscription Agreement**") Mars Overseas purchased 20,000,000 shares of common stock (the "**CopyTele Shares**") of CopyTele, Inc. ("**CopyTele**") for an aggregate purchase price of $16,200,000. Concurrently therewith CopyTele purchased 1,495,845 global depository receipts (the "**Videocon GDRs**") of Videocon Industries Limited ("**Videocon**"), for an aggregate purchase price of $16,200,000 from open market.

WHEREAS, (a) Mars Overseas obtained a loan from CopyTele Sub for an aggregate amount of US$5,000,000 (the "**Mars Overseas Loan**") which was secured by the CopyTele Shares, pursuant to a Loan and Pledge Agreement dated November 2, 2007, as amended, by and between CopyTele Sub and Mars Overseas (the "**Mars Overseas Loan Agreement**"); (b) CopyTele Sub obtained a loan from Mars Overseas for an aggregate amount of US$5,000,000 (the "**CopyTele Sub Loan**") which was secured by the Videocon GDRs, pursuant to that certain Loan and Pledge Agreement dated November 2, 2007, as amended, by and between CopyTele Sub and Mars Overseas (the "**CopyTele Loan Agreement**"); and (c) the Parties entered into an Escrow Agreement dated December 19, 2007 (the "**Escrow Agreement**") with Deutsche Bank AG, London Branch, as escrow agent (the "**Escrow Agent**"). The CopyTele Loan Agreement and the Mars Overseas Loan Agreement are collectively referred to as the "**Loan Agreements**". The Loan Agreements and the Escrow Agreement are collectively referred to as the "**Loan Documents**".

WHEREAS, Parties hereby agree to cancel the CopyTele Sub Loan in exchange for CopyTele Sub's cancellation of the Mars Overseas Loan.

WHEREAS, the Parties and Deutsche Bank AG, London Branch, have entered into an escrow agreement of even date in connection with certain other commercial arrangements relating to the Parties ("**Share Purchase Escrow Agreement**").

WHEREAS, in connection with the cancellation of the Mars Overseas Loan and the CopyTele Sub Loan, the Parties desire to terminate the Loan Documents and any and all other ancillary documents related thereto, and simultaneously transfer the Videocon GDRs and the share certificates representing the CopyTele Shares from the Escrow Account (as defined in the Escrow Agreement) to a 'Share Purchase Escrow Account' (as defined in the Share Purchase Escrow Agreement).

NOW, THEREFORE, in consideration of the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and affirmed, the Parties agree as follows:

1. Cancellation of Loans: Simultaneously with the execution of this Agreement, and conditioned upon cancellation of the CopyTele Sub Loan, the Mars Overseas Loan shall be deemed to be cancelled in full (the "**Mars Overseas Loan Cancellation**"). Simultaneously with the execution of this Agreement, and conditioned upon the cancellation of the Mars Overseas Loan, the CopyTele Sub Loan shall be deemed to be cancelled in full (the "**CopyTele Sub Loan Cancellation**" and together with the Mars Overseas Loan. Cancellation, the "**Loan Cancellations**").

2. Cancellation of the Other Loan Obligations: Simultaneously with the Loan. Cancellations any and all other obligations of CopyTele Sub and Mars Overseas pursuant to the Loan Documents shall be deemed to have been satisfied in full by CopyTele Sub and Mars Overseas, respectively.

3. Termination of Loan Documents: Upon execution of this Agreement and upon the release of the CopyTele Shares and the Videocon GDRs in accordance with Section 5 below, the Loan Documents shall standterminated and shall be of no further force or effect.

4. Settlement of Obligations; It is hereby agreed and confirmed by both the Parties that all the rights and obligations of the Parties in connection with the Loan Documents (as amended from time to time) hereby come to an end and no Party shall, upon the execution and performance of this Agreement in accordance with the terms set out herein, have any further claim of any nature whatsoever, arising out of or in relation to the Loan Documents (as amended or modified from time to time) or the subject matters contained therein. ln full and final settlement of all claims (whether past, present or future), each Party hereby expressly and unconditionally releases, cancels, forgives and forever discharges the other Party from all further obligations under the Loan Documents and from any actions, claims, demands, damages, obligations, liabilities, controversies and executions of any kind or nature whatsoever, whether known or unknown, whether suspected or not, which have arisen, or may have arisen, or may arise out of the subject-matter of the Loan Documents on account of any act or omission of such Party, whether in the past, present or future.

5. Escrow Agreement:

(a) Pursuant to Section 9.5 of the Escrow Agreement, which gives the Parties the right to amend the Escrow Agreement upon an instrument executed by the Parties, effective immediately:

(i) Section 3.4 of the Escrow Agreement is hereby amended to provide that, notwithstanding anything to the contrary contained in the Escrow Agreement, the Escrow Agent shall be permitted to and shall, accept, rely and comply with the Release Instruction issued by CopyTele Sub and Mars Overseas in accordance with Section 5 and the other provisions of this Agreement, to deliver the CopyTele Shares and Videocon GDRs in the manner as set forth in Section 5 below ("**Termination Release Instruction**");

(ii) Section 4.1 of the Escrow Agreement is hereby amended to provide that, following the receipt of the Termination Release Instruction, the Escrow Agent shall forthwith deliver the Videocon GDRs and CopyTele Shares as instructed by such Termination Release Instruction.

(iii) Section 1 of Schedule III to the Escrow Agreement (as it relates to CopyTele Sub) is amended to add Robert Berman, the current President and CEO of CopyTele and CopyTele Sub, as an authorized signatory, and to delete Denis Krusos, the former CEO of CopyTele and CopyTele Sub; and to add Mr. Pradipkumar N. Dhoot as an authorized signatory of Mars Overseas Limited

(iv) CopyTele Sub and Mars Overseas each agree and confirm that the indemnity provisions of Section 9.1.1 and 9.1.2 of the Escrow Agreement shall apply to any actions taken by the Escrow Agent in furtherance of the Termination Release Instruction.

(b) Subject to Section 3 of this Agreement, the Parties acknowledge and agree that all of the terms, provisions, covenants and conditions of the Escrow Agreement shall hereafter continue in full force and effect in accordance with the terms thereof, including without limitation the provisions of Section 2.2, except to the extent expressly modified, amended or revised herein.

6. Delivery of the Securities: In connection with the understanding reflected in Sections2, 3 and 4 above, the Mars Overseas and CopyTele Sub shall, concurrently with the execution of this Agreement, instruct the Escrow Agent to deliver the Videocon GDRs and the CopyTele Shares to the Share Purchase Escrow Account (as defined in the Share Purchase Escrow Agreement) in accordance with the Termination Release Instructions (to be issued in the form of Schedule I hereto) and the Escrow Agent shall transfer the Videocon GDRs and CopyTele Shares to the Share Purchase Escrow Account (as defined in the Share Purchase Escrow Agreement) in accordance with the terms of the Share Purchase Escrow Agreement.

7. Further Amendment: By its signature below, to the extent necessary to effectuate the terms hereof (i) Mars Overseas and CopyTele Sub hereby amends any other applicable provisions of the Loan Agreements, such that the Loan Agreements shall be consistent with the terms hereof, and (ii) each Party hereby amends the terms of the Escrow Agreement, without penalty or premium, to effectuate the delivery of the CopyTele Shares and Videocon GDRs in accordance with Section 5 above.

8. Further Assurances: Each Party agrees to take such further actions to consummate the transactions contemplated by this Agreement as may be reasonably requested by the other Party, at such requesting Party's expense.

9. Entire Agreement: This Agreement represents the entire agreement of the Parties with respect to the matters described herein, and may only be amended or modified by a writing signed by each Party. This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the Parties hereto.

10. Headings: All headings herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

11. Counterparts; This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same document.

12. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of England and any dispute arising out of or in relation to this Termination Agreement shall be resolved by arbitration ("**Arbitration**") to be conducted in accordance with *[insert relevant procedural rules]* ("**Rules**"). The Arbitration shall be conducted by a sole arbitrator, to be appointed jointly by the Parties; provided that in the event of the Parties failing to appoint such sole arbitrator within a period of 15 (fifteen) days from the date on which the claimant first notifies the respondent of its intention to commence Arbitration, such arbitrator shall be appointed in the manner as prescribed by the Rules. The seat of Arbitration shall be *[insert as per commercial understanding]* and the Arbitration shall be conducted in English language.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first written above

COPYTELE INTERNATIONAL LTD.

By: /s/ Henry Herms
Name: Henry Herms
Title: Chief Financial Officer

MARS OVERSEAS LIMITED
By: /s/ Pradipkumar N. Dhoot
Name: Pradipkumar N. Dhoo Title: Director

SCHEDULE I

FORM OF RELEASE INSTRUCTION TO DEUTSCHE BANK

Date: August ___, 2013

To: Deutsche Bank AG,
London Branch, as
escrow agent.

Dear Sirs,

We write with reference to the Escrow Agreement dated December 19, 2007 entered into between yourselves, and us, as amended by the Amendment and Termination Agreement of even date herewith (the "Amended Escrow Agreement").

This certificate is being issued pursuant to Section 6 of the Amendment and Termination Agreement. Capitalized terms and expressions used in this letter but not defined shall have the same meaning as ascribed to such terms in the Amendment and Termination Agreement.

We hereby certify that Mars Overseas and CopyTele Sub have agreed to cancel the obligations with respect to the CopyTele Sub Loan, and the Mars Overseas Loan, as more fully set forth in the Amendment and Termination Agreement, dated as of August __, 2014.

Accordingly, you are hereby instructed to transfer, as promptly as possible, the CopyTele Share Certificates bearing distinctive number CT0022036 and the Videocon GDRs, to the Share Purchase Escrow Account *(as defined in the escrow agreement dated August ____, 2014, executed betweenyourselves, CopyTele Sub and Mars Overseas).*

We hereby affirm that this instruction is irrevocable and unconditional and we shall have no claim against you for effecting the above mentioned release of CopyTele Shares and Videocon GDRs.

COPYTELE INTERNATIONAL LTD. **MARS OVERSEAS LIMITED**

By: _____ By: _____
Name: Henry Herms Name:Pradipkumar N. Dhoot
Title: Chief Financial Officer Title: Authorised Signatory

SHARE PURCHASE ESCROW AGREEMENT

AMONG

MARS OVERSEAS LIMITED,

COPYTELE INTERNATIONAL LTD.

AND

DEUTSCHE BANK AG, LONDON BRANCH, as Escrow Agent

DATED 29th August 2014

ESCROW AGREEMENT

This SHARE PURCHASE **ESCROW AGREEMENT** ("**Agreement**") is entered on this 29th day of August, 2014 among:

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

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

AND

DEUTSCHE BANK AG, LONDON BRANCH a corporation domiciled in Frankfurt am Main, Germany, actingthrough its London branch at Winchester House, 1 Great Winchester Street, London EC2N 2DB,England as Escrow Agent (the "**Escrow Agent**").which expression includes its successors and permitted assigns).

CopyTele Sub, Mars, and the Escrow Agent are individually referred to as a "**Party**" and collectively as the "**Parties**".

WHEREAS:

A. CopyTele Sub is a wholly-owned subsidiary of CopyTele Inc., a Delaware corporation ("**CopyTele**") and is the record and beneficial owner of 1,495,845 global depository receipts of Videocon Industries Limited, a public limited company incorporated in India under the Companies Act, 1956(the "**Videocon GDRs**");

B. Mars is a company incorporated under the laws of the Cayman Islands and is the record and beneficial owner of 20,000,000 shares of the common stock ("**CopyTele Shares")** of CopyTele;

C. The Parties had entered into an escrow agreement dated December 19, 2007 ("**Erstwhile Escrow Agreement")** pursuant to which the Videocon GDRs and the CopyTele Shares were placed in the custody of the Escrow Agent in connection with certain commercial transactions between CopyTele Sub and Mars Overseas;

D. The Parties have entered into an amendment and termination agreement of even date herewith, pursuant to which certain terms of the Erstwhile Escrow Agreement have been amended, and the Videocon GDRs and the CopyTele Shares will be transferred by the Escrow Agent from the custody account established under the Erstwhole Escrow Agreement to a new custody account to be titled the 'Share Purchase Escrow Account', which shall be governed by the provisions set out hereunder.

E. Simultaneous to execution of this Agreement, CopyTele Sub and Mars have entered / shall enter into the definitive agreements for sale of Videocon GDRs and CopyTele Shares respectively, held by them and the Escrow Agent shall monitor the flow of purchase / sale consideration in connection with the sale of securities as mentioned in Clause 4.4

F. Mars and CopyTele Subhave agreed to appoint the Escrow Agent and the Escrow Agent has agreed to act as the Escrow Agent on the terms and conditions set out herein.

NOW THEREFORE, in consideration of the premises and for such valuable consideration, the receipt and sufficiency whereof is hereby acknowledged by the Parties, and also in consideration of the counterparties to various agreements hereunder, it is hereby agreed by the Parties as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

All capitalised terms used in this Agreement (including in the recitals) shall, unless the context requires otherwise, have the meanings assigned to them as follows:-

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

"**Authorised Signatory**" means a person listed in Schedule II hereto together with his signature, as amended from time to time by notice to all parties to this Agreement;

"**Business Day**" shall means a day (other than a Saturday or Sunday)on which banks are open for normal business in London;and on which the Trans—European Real-Time Gross Settlement (TARGET) system is open;

"**Escrow Cash Account**" shall mean an US Dollar denominated account opened by CopyTele Sub and Mars with the Escrow Agent

"**CopyTele Share Certificates**" shall mean the share certificate(s) in the name of Marsrepresenting the CopyTele Shares;

"**Custodian Group Company**" means the Escrow Agent and any company in respect of which the Escrow Agent directly or indirectly hold or controls the majority of its voting rights or has the right to appoint or remove a majority of its board of directors;

"**Custody Clearing System**" means Clearstream, Euroclear, the Depository Trust Company, the Depository and Clearing Centre, the CREST system and/or such other clearing agency, settlement system or depository as may from time to time be used in connection with the safekeeping of or transactions relating to, securities, and includes any nominee, clearing agency or depository for any of the foregoing;

"**Effective Date**" means the date of this Agreement;

"**Eligible Custodian**" has the meaning given to the term "custodian" in the FSA Rules;

"**Liability**" means any loss, damage, cost, charge, claim, demand, expense, penalty, judgement, demand, action proceeding or other liability whatsoever (including, without limitation, in respect of taxes, duties, levies, imposts and other charges) and including any value added tax or similar tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis;

"**Securities**" shall mean Videocon GDRs and CopyTele Share Certificates

"**Sub -Custodian**" shall mean means a sub-custodian, agent, State Street Corporation or Custody Clearing System which is an Eligible Custodian, and which may be a Custodian Group Company, to whom the Escrow Agent has delegated any of the Escrow Agent's duties under thisAgreement;

1.2 Interpretation

In this Agreement unless the context requires otherwise:

1.2.1 the singular includes the plural (and vice versa);

1.2.2 headings are for convenience only and do not affect the construction of this Agreement;

1.2.3 references to Clauses and Schedules are to Clauses and Schedules to this Agreement;

1.2.4 reference to any agreement or document includes amendments and replacements of and supplements to such agreement or document;

1.2.5 reference to any statute or statutory provision in this Agreement includes reference to that statute or statutory provisions as from time to time amended, extended or re-enacted;

1.2.6 references to any person include successors of such person; and

1.2.7 all references to an account include all replacement accounts for such account.

2. APPOINTMENT

2.1 Appointment

Mars and CopyTele Subhereby appoint the Escrow Agent as the escrow agent for the purpose set out in this deed and the Escrow Agent hereby accepts appointment as the escrow agent and agrees to perform the obligations, duties and functions and provide the services and arrangements to be performed and provided by the Escrow Agent, in the manner provided in, and in accordance with the terms and conditions set out in this Agreement.

2.2 Escrow Agent Fees

(a) Mars shall be solely and exclusively liable for and shall pay to the Escrow Agent remuneration for its services as Escrow Agent pursuant to this Agreement on the basis set out in separate written correspondence between Deutsche Bank AG, London Branch, CopyTele Sub and Mars dated.06 August 2014.

(b) Mars shall be solely and exclusively liable for and shall pay to the Escrow Agent, on demand, all charges, costs and expenses (including legal expenses) which the Escrow Agent may incur in relation to the negotiation, preparation and execution of this Agreement and the performance of its obligations hereunder.

(c) The parties to this Agreement agree that, at the request of the Escrow Agent, the fees and expenses payable under Clause 2.2 (a) above may be reviewed and increased from time to time in accordance with the Escrow Agent's then current fee levels.

(d) All payments by Mars under this clause shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by any government having power to tax, unless such withholding or deduction is required by law. In that event, Mars shall pay such additional amounts as will result in receipt by the Escrow Agent of such amounts as would have been received by it if no such withholding had been required. Interest shall be payable on any amount not paid when due at the rate per annum certified by the Escrow Agent to be two per cent above National Westminster Bank plc's base rate from time to time and such interest shall accrue on a daily basis from the due date to the date of payment (whether before or after judgement) and shall be payable on demand.

(e) If the Escrow Agent (with the prior written consent of CopyTele Sub and Mars) considers it expedient or necessary to undertake duties which are of an exceptional nature or otherwise outside the scope of the normal duties of the Escrow Agent under this Deed, Mars shall pay to the Escrow Agent additional remuneration in accordance with the Escrow Agent's then current charging procedures, subject to prior notice by Escrow Agent of such additional charges

(f) Mars shall be responsible for reimbursing the Escrow Agent and/or any Sub-Custodian in respect of any depository fees, charges or other amounts charged by any Clearing System, including (without limitation) any depository fees charged in respect of depositary receipts.

2.3 Replacement of Escrow Agent

Mars and CopyTele Sub, acting together, may upon 30 days written notice replace the Escrow Agent by entering into a new escrow agreement with a successor escrow agent on, as far as practicable, the same terms and conditions as are specified herein and jointly giving written notice to such effect, in the form set out in Schedulel hereto, to the Escrow Agent. Within 3 (three) Business Days of receipt of such notice, the Escrow Agent shall, subject to any costs, fees, charges, expenses or indemnity amounts owed to the Escrow Agent, transfer custody of the CopyTeleSharesand the Videocon GDRsto the successor escrow agent as directed in writing. Upon such transfer, the new escrow agreement will become effective andthis Agreement shall stand terminated.It is clarified that the Escrow Agent shall not be responsible for ensuring that the persons entitled to receive the CopyTele Shares and/or the Videocon GDRsupon release are present at its offices to collect the same and shall not be liable for any delay in effecting the release as a consequence of the same.

2.4 Resignation of Escrow Agent

The Parties agree that the Escrow Agent shall have the right to resign its appointment hereunder upon 30 daysprior written notice delivered to each of Mars and CopyTele Sub. In the case of such resignation, the Escrow Agent shall transfer custody of the CopyTele Shares and Videocon GDRs to such person(s) as Mars and CopyTele Sub may direct in writing.

2.5 Appointment of Sub-Custodian

(a) The Escrow Agent may from time to time delegate to any Sub-Custodian any of the Escrow Agent's duties under this Agreement, including (without limitation) the safekeeping of the CopyTele Shares and the Pledged GDRs, only upon the prior written consent of CopyTele Sub and Mars. CopyTele Sub and Mars acknowledge that any Sub-Custodian may appoint an agent to perform any of its duties. Each such Sub-Custodian and agent shall hold the CopyTele Shares and the Pledged GDRs subject to all of the same terms and conditions of this Agreement as apply to the Escrow Agent hereunder, and shall have the same rights, duties, obligations and liabilities as the Escrow Agent and shall provide to CopyTele Sub and Mars confirmation thereof in writing upon request. Holdings of CopyTele Shares and the Videocon GDRs by Sub-Custodians and agents will be subject to English Laws provided always that each Sub-Custodian and agent will not permit withdrawal of CopyTele Shares and Videocon GDRs from the accounts maintained by it otherwise than as mentioned in this Agreement.

(b) Any Sub-Custodian appointed hereunder shall be entitled to hold the Securities in an omnibus account in the name of the Escrow Agent. Such omnibus account may contain (to the extent permitted by any applicable law, regulation and market practice) any other assets held by the Sub-Custodian on behalf of the Escrow Agent (irrespective of the ultimate beneficiary). The Sub-Custodian shall ensure that the Securities shall be identified within the omnibus account and segregated from other assets contained therein by identifying in its books that the Securities are held for the account of the Escrow Agent on behalf of Mars and CopyTele Suband are being held subject to this Agreement.

(c) In the event that it is no longer possible for the Escrow Agent to hold any Securities deposited in the Escrow Agent's Clearing Account, the Escrow Agent shall take all reasonable steps to procure the delivery to it of such Securities in definitive form and shall continue to hold such Securities in the Escrow Account, segregated from any other securities which the Escrow Agent may also hold, in accordance with the provisions of this Agreement. Upon receipt by the Escrow Agent of any Securities in definitive form, the Escrow Agent shall promptly notify Mars and CopyTele Sub.

(d) The Escrow Agent may hold any document of title or document evidencing title to the Securities:

(a) in the Escrow Agent's physical possession;

(b) with a Sub-Custodian; or

(c) in accordance with Mars and CopyTele Sub'sjoint Instruction.

CopyTele Sub and Mars hereby acknowledge that where (c) applies, such documents shall beso held at their own risk.

2.6 Limitations of liability

(a) The Escrow Agent shall only be liable to CopyTeleSub and Mars for any liability, loss or cost suffered by or incurred by CopyTeleSub and Mars to the extent that such liability, loss or cost is a direct result of its own breach of duty, the willful default, fraud or gross negligence of the Escrow Agent or any Custodian Group Company in providing services under this Agreement.

(b) Subject to Clause 2.6 (a), the Escrow Agent shall not be liable to CopyTeleSub and Mars for any liability, loss or cost suffered or incurred by CopyTeleSub and Mars arising from the acts, omissions or the insolvency of any Sub-Custodian or its agent in the absence of breach of duty, grossnegligence or willful default by the Escrow Agent in the initial selection of any Sub-Custodian.

(c) Subject to Clause 2.6 (a) above, the Escrow Agent shall not be liable to CopyTeleSub and Mars for any liability, loss or cost suffered by CopyTeleSub and Mars arising from:

(i) the collection or deposit or crediting to the Share Purchase Escrow Account of invalid, fraudulent or forged CopyTele Shares or Videocon GDRs or any entry in the Escrow Account which may be made in connection with that collection, deposit, crediting or entry;

(ii) any delay arising while the Escrow Agent obtains clarification of Release Instructions in accordance with Clause 4; or

(ii) acting on what the Escrow Agent in good faith believes to be valid Release Instructions or in relation to notices, requests, waivers, consents, receipts, corporate resolutions or their equivalent or other documents which the Escrow Agent in good faith believes to be genuine.

(iv) effecting delivery or payment against an expectation of receipt, except where such delivery or payment is contrary to instruction or relevant local market practice or where such delivery or payment is caused by gross negligence, willful misconduct or fraud by the Escrow Agent.

(d) Subject to Clause 2.6 (a), the Escrow Agent shall not be liable to CopyTeleSub and Mars for any liability, loss or cost arising out of any act, omission or the insolvency of any Custody Clearing System.

(e) Investing in foreign markets and holding assets overseas may involve special risks. CopyTeleSub and Mars should be aware that there may be different settlement, legal and regulatory requirements in overseas jurisdiction from those applying in the United Kingdom, together with different practices for the separate identification of CopyTeleShares or Videocon GDRs ifthe Escrow Agent arranges for such CopyTele Shares or Pledged GDRs to be held overseas.

(f) For the avoidance of doubt and subject to Clause 2.6 (a) above, the Escrow Agent accepts no liability whatsoever for any liability, loss or cost suffered or incurred by CopyTeleSub and Mars resulting from the general risks of investment or the holding of assets including, but not limited to, losses arising from nationalisation, expropriation or other governmental actions, regulations of the banking or securities industries, including changes in market rules, currency restrictions, devaluations or fluctuations, and market conditions affecting the execution or settlement of transactions or the value of assets.

(g) The Escrow Agent shall not be responsible for any loss resulting from acts of war, terrorism, insurrection, revolution, acts of God, strikes or work stoppages, failures of settlement systems to settle transactions, or other events beyond the reasonable control of the Escrow Agent.

(h) Any liability of any nature which arises from the provision by the Escrow Agent of its services under this Agreement shall be limited to the amount of CopyTeleSub and Mars's actual loss at the time the loss is discovered (which loss shall, in respect of any asset which has been mislaid or lost, be determined solely by reference to the market value of that asset) but without reference to any special conditions or circumstances known to the Escrow Agent at the time of entering into this Agreement, or at the time of accepting Release Instructions from CopyTele Sub and Mars, which increases the amount of the loss. In no event shall the Escrow Agent be liable for any consequential or special damages, including, without limitation, any loss of reputation, goodwill or business suffered by CopyTeleSub and Mars.

(i) The Escrow Agent and any Sub-Custodian or any Custodian Group Company may have an interest in or in relation to, as the case may be, securities of CopyTeleSub or Mars or Videocon Industries Limited or transaction held, executed or settled, as the case may be under this Agreement as investment manager, investment adviser, broker, underwriter, counterparty or creditor or in any other capacity. The Escrow Agent and each Custodian Group Company may receive and retain any fee or brokerage due or paid, as the case may be, to it or any of them, as the case may be, and shall not be liable to account to CopyTeleSub and Mars for any such fee or brokerage or any information obtained by it or any of them as the case may be, by reason of the interest referred to above.

3. ESCROW

3.1 Simultaneous tothe execution of this Agreement, the Escrow Agent shall receive the CopyTele Share Certificates and the Videocon GDRs from the custody account held under the Erstwhile Escrow Agreement to the Share Purchase Escrow Account, which shall be governed by the terms and conditions set out herein. The Escrow Agent shall, on the date of execution of this Agreement, provide a written confirmation to each of Mars and CopyTele, confirming suchreceipt of the CopyTele Share Certificates and the Videocon GDRs.

3.2 The Escrow Agent agrees that it shall hold the CopyTeleShare Certificatesand the Videocon GDRsin escrow as contemplated hereinuntil the earlier of (i) Escrow Agent's receipt of instructions to release them pursuant Clause 4 of this Agreement; and (ii) August 31, 2014 (the "Escrow Termination Date").

3.3 The Escrow Agent shall not have legal or beneficial ownership rights (including but not limited to receipt of dividends and voting rights) to either the CopyTele Shares or the Videocon GDRs.In the event that any dividends, distributions, rights or other proceeds or benefits in respect of the CopyTele Shares are received by the Escrow Agent at any time, such dividends, distributions, rights or other proceeds or benefits shall be promptly transferred by the Escrow Agent to the account of Mars,free and clear of any encumbrances under this Agreement. In the event that any dividends, distributions, rights or other proceeds or benefits in respect of the Videocon GDRs are received by the Escrow Agent at any time, such dividends, distributions, rights or other proceeds or benefits shall be promptly transferred by the Escrow Agent to the account of CopyTele Sub, free and clear of any encumbrances under this Agreement.

4. RELEASE OF SHARES AND GDRs

4.1 CopyTele Sub and Polyxo Global Limited have entered into / shall enter into a GDR Purchase Agreement dated August 29, 2014, pursuant to which CopyTele Sub has agreed to transfer the Videocon GDRs to Polyxo Global Limited in accordance with the terms and conditions set out therein ("**GDR Purchase Agreement**").

4.2 Mars and CopyTele Sub have entered into /shall enter into a Share Purchase Agreement dated August 29, 2014, pursuant to which Mars has agreed to transfer the CopyTele Shares to CopyTele Sub in accordance with the terms and conditions set out therein ("**SPA**").

4.3 It is the intention of CopyTele Sub and Mars that the transfer of the CopyTele Shares to CopyTele Sub in accordance with the SPA ("**Share Sale Transaction**") and the transfer of the Videocon GDRs to Polyxo Global Limited in accordance with to the GDR Purchase Agreement ("**GDR Sale Transaction**") be completed simultaneously. Pursuant thereto, Mars and CopyTele Sub agree that the CopyTele Shares should be released to CopyTele Sub and the Videocon GDRs should be released to CopyTele Sub, simultaneously.

4.4 Upon execution of this Agreement CopyTele Sub shall receive a sum of USD $4,500,000 (US Dollars Four Million Five Hundred Thousand Only) from to Polyxo Global Limited as purchase consideration for Videocon GDRs in Escrow Cash Account. CopyTele Sub and Mars hereby agree, confirm and instruct the Escrow Agent that an amount aggregating to upto USD USD $4,500,000 (US Dollars Four Million Five Hundred Thousand Only) so received from Polyxo Global Limited shall be transferred by the Escrow Agent without any further instruction or contestation, demur, deduction, set off or withholding (subject to applicable law) and without any reference to CopyTele Sub or any other party and notwithstanding any contestation or objection whatsoever by CopyTele Sub or any other party, to the bank account of Mars.

Upon completion of all procedures and formalities as required under clause 4.4 as aforesaid and the GDR Purchase Agreement and the SPA to effect the GDR Sale Transaction and the Share Sale Transaction (save and except for transfer of the CopyTele Shares to CopyTele Sub and the Videocon GDRs to to Polyxo Global Limited , as the case may be), respectively, Escrow Agent shall release the CopyTele Share Certificate bearing distinctive number CT0022036 to CopyTele Sub and the Videocon GDRs to Polyxo Global Limited, simultaneously without any further instruction.

The aforesaid CopyTele Share Certificate is to be sent by FedEx to CopyTele International Ltd. c/o CopyTele Inc., 900 Walt Whitman Road Suite 203C, Melville, NY 11747.

The aforesaid Videocon GDRs are to be released to the following account Clearing Bank — Euroclear Bank
Account Number: 96349
Account Name: KAS bank / First International Group Plc

5. OBLIGATIONS OF THE ESCROW AGENT

5.1 Notwithstanding anything to the contrary in this Agreement, the Escrow Agent agrees that it shall act only in the capacity of an escrow agent and in accordance with and under instructions provided in accordance with the terms of this Agreement and no implied duties or obligations shall be read into this Agreement against the Escrow Agent. The duties of the Escrow Agent are purely administrative in nature. The Escrow Agent shall not be under any obligation to take any action under this Agreement that it expects will result in any expense to, or liability for, it, the payment of which is not, in its opinion, assured to it within a reasonable time. The Escrow Agent shall have no duty to enforce any obligation of any person, it being agreed by the Escrow Agent that it shall act in good faith, diligently and prudently while carrying out its duties as escrow agent in accordance with the terms of this Agreement.

5.2 The Escrow Agent does not have any proprietary interest in the CopyTele Shares, the CopyTeleShare Certificates, or the Videocon GDRsand merely holds the same as an escrow agent on and subject to the terms of this Agreement. For the avoidance of doubt, the Escrow Agent holds no legal or beneficial title to any of the CopyTele Shares, the CopyTele Share Certificates or the Videocon GDRs (including but not limited to voting rights, transfer of title or distribution of dividends). The Escrow Agent simply provides a custodial function in relation to the same.

5.3 The Parties agree that the obligations of the Escrow Agent set out in this Agreement shall not be affected by any disputes or contentions between and amongst any of the other Parties, and that the Escrow Agent shall be entitled to carry out its obligations as set out herein regardless of any such disputes or contentions that may be raised.

6. REPRESENTATIONS AND WARRANTIES

6.1 Mars represents and warrants as follows:

(i) this Agreement has been duly executed and delivered by a duly authorized representative of Mars and constitutes a legal, valid and binding obligation of Mars and shall be enforceable against Mars in accordance with its terms;

(ii) Mars has been validly incorporated and exists in good standing under the laws of Cayman Islands;

(iii) the execution of this Agreement does not violate any statute, regulation, rule, order, decree, injunction, contract or other restriction of any governmental entity, court or tribunal to which Mars is subject or any of the provisions of Mars's organizational documents;

(iv) the deposit with the Escrow Agent of the CopyTele Shares (evidenced by the CopyTele Share Certificates) being deposited by Mars does not violate any statute, regulation, rule, order, decree, injunction, contract or other restriction of any governmental entity, court or tribunal to which it is subject or any of the provisions of its organizational documents.

(v) all consents, licenses, approvals and authorizations of, and registrations, declarations and other filings with, any governmental agency, official or authority required in connection with the execution, delivery and performance of this Agreement by Marshave been duly obtained and are in full force and effect and shall continue to do so.

6.2 CopyTele Sub represents and warrants as follows:

(i) this Agreement has been duly executed and delivered by a duly authorized representative of CopyTele Sub and constitutes a legal, valid and binding obligation of CopyTele Sub and shall be enforceable against CopyTele Sub in accordance with its terms;

(ii) CopyTele Sub has been validly incorporated and exists in good standing under the laws of British Virgin Islands;

(iii) the execution of this Agreement does not violate any statute, regulation, rule, order, decree, injunction, contract or other restriction of any governmental entity, court or tribunal to which CopyTele Sub is subject or any of the provisions of CopyTele Sub's organizational documents;

(iv) the deposit with the Escrow Agent of the Videocon GDRs being deposited by CopyTele Sub does not violate any statute, regulation, rule, order, decree, injunction, contract or other restriction of any governmental entity, court or tribunal to which it is subject or any of the provisions of its organizational documents.

(v) all consents, licenses, approvals and authorizations of, and registrations, declarations and other filings with, any governmental agency, official or authority required in connection with the execution, delivery and performance of this Agreement by CopyTele Sub have been duly obtained and are in full force and effect and shall continue to do so.

6.3 The Escrow Agent represents and warrants that this Agreement has been duly executed and delivered by the duly authorized representative of the Escrow Agent and constitutes a legal, valid and binding obligation of the Escrow Agent and shall be enforceable against the Escrow Agent in accordance with its terms.

7. TERMINATION

7.1 This Agreement shall terminate forthwith upon the earlier of:

7.1.1 The release of the CopyTele Share Certificates and the Videocon GDRsby the Escrow Agent in terms of Clause 4; or

7.1.2 Upon replacement of the Escrow Agent in accordance with Clause 2.3herein; or

7.1.3 Upon resignation of the Escrow Agent in accordance with Clause 2.4herein; and

7.1.4 September 5, 2014.

7.2 Upon termination of the Agreement pursuant to Clause 7.1, the Escrow Agent shall, subject to any costs, fees, charges, expenses or indemnity amounts owed to the Escrow Agent, forthwith and simultaneously, without question or demur, (i) release or transfer custody of the CopyTele Share Certificates and the Videocon GDRsin the manner set out in this Agreement; and (ii) provide notice of its compliance with this Clause 7.2 to all the other Parties.

8. NOTICES

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

8.2 The initial address and facsimile for the Parties for the purposes of the Agreement are

If to CopyTele Sub:

Name	COPYTELE INTERNATION LTD
Address	c/o Copytele, Inc. 900 Walt Whitman Road Melville, New York 11747
Attention	Mr. Henry Hemrs
Fax	631-549-5974
Telephone	631-549-5900\
Email	hpherms@ctipatents.com

If to Mars

Name	MARS OVERSEAS LIMITED Unit No. 207 & 208, Indigo Tower, Cluster D, Jumerirah Lake Tower, PO Box 488236, Dubai, United Arab Emirates
Attention	Mr. Pradipkumar N. Dhoot
Fax	+97144534301
Telephone	
Email	pnd@vhl.ae

If to the Escrow Agent:

Escrow Agent: Deutsche Bank AG
Trust & Securities Services
Winchester House
1 Great Winchester Street
London
EC2N 2DB

Fax: +44 20 7547 1089
Attention: TSS/GDS/Banking and Project Finance Group

9. MISCELLANEOUS

9.1 Indemnity

9.1.1 Each of Mars and CopyTele Sub shall separately indemnify and hold harmless the

Escrow Agent and its officers, employees and agents (each an "Indemnified Party") from and against all Liabilities or obligations of any kind whatsoever (and any interest thereon) (including, but not limited to, all properly incurred costs, charges and expenses paid or incurred in disputing or defending any of the foregoing), which may be incurred, suffered or brought against such Indemnified Party as a result of or in connection with such Indemnified Party's appointment or involvement hereunder or the exercise of any of such Indemnified Party's powers or duties hereunder or any acts taken or omitted to be taken by such Indemnified Party in accordance with the terms of this Agreement, any tax for which the Escrow Agent is or may be liable or accountable in connection with the Securities, this Deed or the performance of the Escrow Agent's obligations under this Agreement (including without limitation the purchase and/or sale of Securities, the collection and/or realisation of coupons, dividends, interest or other payments, the receipt of or entitlement to receive any income, and the Escrow Agent acting as or being deemed to be a trustee, branch or agent of Mars or CopyTele Sub (as applicable)) provided that this indemnity shall not extend to tax on or attributable to any fees. This indemnity shall not apply in respect of an Indemnified Party to the extent but only to the extent that any such losses incurred or suffered by or brought against such Indemnified Party arise out of or in connection with the willful misconduct or gross negligence of such Indemnified Party. As between CopyTele Sub and Mars, each shall be responsible for one-half of any amounts paid to any Indemnified Party pursuant to this Section 9.1.1.

9.1.2 The Parties hereto acknowledge that the foregoing indemnities shall survive th resignation or removal of the Escrow Agent and the termination of this Agreement.

9.2 Governing Law

This Agreement shall be governed by and construed in accordance with English Law.

9.3 Dispute Resolution

In relation to any legal action or proceedings regarding contractual or non-contractual obligations arising out of or in connection with this Deed ("Proceedings"), the Parties irrevocably submit to the jurisdiction of the courts of England and Wales. CopyTele Sub, Mars and the Escrow Agent waive any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

CopyTele Sub and Mars agree that process in connection with Proceedings in the courts of England and Wales will be validly served on it if served upon Andrew Smithson of Smithsons, 2nd Floor, 3 Hardman Square, Sprinnigfields, Manchester, England in the case of CopyTele Sub and Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street, London, EC2V 7EX in the case of Mars. If, for any reason, either such agent shall cease to act as such, CopyTele Sub or Mars (as the case may be) shall promptly appoint another agent for service of process in England and Wales and immediately notify the other Parties thereof. Nothing in this Deed shall affect the right to serve process in any other manner permitted by law.

9.4 Assignability

This Agreement shall be binding upon and inure to the benefit of the Parties, their successors, assigns, heirs and legal representatives, but shall not be assigned by any Party without the prior written consent of the other Parties.

9.5 Amendment

The provisions of this Agreement may only be altered, modified or amended by an instrument in writing duly executed by the Parties.

9.6 Confidentiality

Each Party and its Affiliates shall keep all information relating to the other Party and its Affiliates relating to the transactions hereunder (collectively referred to as the "Information") confidential. No Party shall issue any public release or public announcement or otherwise make any disclosure concerning this Agreement and/or the transactions hereunder without the prior approval of the other Parties, provided however, that nothing in this Agreement shall restrict any Party from disclosing any information as may be required under applicable law subject to providing a prior written notice to the other Parties. Nothing in this Clause 9.6 shall restrict any Party or its Affiliates from disclosing Information:

9.6.1 to the extent that such Information is in the public domain other than by breach of this Agreement;

9.6.2 to the extent that such Information is required to be disclosed by any applicable law or required to be disclosed to any governmental authority to whose jurisdiction such Party and/or its Affiliate(s) is subject or with whose instructions it is customary to comply;\

9.6.3 to its or its Affiliates' employees, officer, directors or professional advisers, provided that such Party shall require that such persons treat such Information as confidential;

9.6.4 to the extent that any of such Information is/are later acquired by such Party from a source not obligated to the other Party hereto, or to the other Party's Affiliates, to keep such Information confidential;

9.6.5 to the extent that any of such Information was previously known or already in the lawful possession of such Party and/or its Affiliates, prior to disclosure by the other Party hereto; and

9.6.6 to the extent that any information, materially similar to the Information, shall have been independently developed by such Party and/or its Affiliates without reference to any Information furnished by the other Party hereto.

9.7 Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument
and any Party may execute this Agreement by signing any one or more of such originals or counterparts.

9.8 Survival

Notwithstanding anything contained in this Agreement, Clauses 9.1, 9.2, 9.3, 9.6,9.8, 9.10 and 9.11 shall survive the termination of this Agreement.

9.9 No Third Party Beneficiaries

This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement (except as provided in Clause 9.1) under the Contracts (Rights of Third Parties) Act 1999 or otherwise.

9.10 Escrow Agent

(a) The Escrow Agent shall not be expected to or obliged to supervise, control or perform any acts or responsibilities of any other persons, including any of the other Parties to verify completion of events, acts and arrangements herein mentioned that are between Parties other than the Escrow Agent. The Escrow Agent shall not be bound by the provisions of any other agreement, document or arrangement among the other Parties to this Agreement or between such Parties and any third party, if the Escrow Agent is not a party to such document, agreement or arrangement.

(b) The Escrow Agent shall be entitled to rely on, and shall be able to treat as genuine and as the document it purports to be, any Release Instruction, instructionsor signatures, which the Escrow Agent believes to be the genuine instructions of any of the Parties, furnished to it in whatever format and by whatever means, including electronic, as the case may be, believed by the Escrow Agent, in its absolute discretion, to be genuine. The specimen signatures of the Authorised Signatories are provided in Schedule II hereunder.

(c) If any instructions are unclear or ambiguous, the Escrow Agent shall be entitled but not obliged to refrain from acting on such instructions until the instructions are clarified and/ or such ambiguity is removed, to the Escrow Agent's satisfaction, without being liable or responsible for the consequences and/ or delay that may take place in such circumstance.

(d) The Escrow Agent may consult with and act upon the advice of an independent legal counsel or expert of its own selection and shall be fully protected in respect to any reasonableaction taken by it or for any delay or inaction pending the obtaining of such advice or opinion in good faith in accordance with the opinion of such counsel or expert.Any fees, costs or expenses incurred in connection with this paragraph shall be exclusively borne by Mars. To the extent practicable, the Escrow Agent will endeavour to notify Mars and CopyTele Sub and seek the approval of Mars and CopyTele Sub in relation to any such fees, costs or expenses.

(e) Notwithstanding anything contained in this Agreement, the Escrow Agent shall be entitled to restrain from taking actions that are in contravention of any applicable laws or regulations.

(f) The Escrow Agent shall not be liable for any acts or omissions done pursuant to a decree, ruling, judgment or order of a court, executive or regulatory authority.

(g) Any act to be done by the Escrow Agent shall be done only on a Business Day, and in the event that any day on which the Escrow Agent is required to do an act under the terms of this Agreement is not a Business Day, then the Escrow Agent shall do those acts on the next succeeding Business Day.

(h) Nothing contained herein shall prevent the Escrow Agent from carrying on any business with, or rendering any professional advice in any capacity to the Parties to this Agreement or from retaining any profits or remuneration in connection with the foregoing.

(i) In the event that at any time during the subsistence of this Agreement, the performance by the Escrow Agent of any of its obligations or duties under this Agreement would be in violation of any statutory regulations or directives that the Escrow Agent is required to comply with at such time, then each of the Parties agree to utilise its best endeavours to co-operate with the Escrow Agent in the taking of such actions as may be necessary to enable performance by the Escrow Agent to be not in violation of applicable statutory regulations or directives and, in the meantime, the Escrow Agent shall not be required to perform the relevant obligations or duties under this Agreement.

(j) In the event any consents, licenses, approvals, authorizations, registrations, declarations are required and/or any filings with any governmental agency, official or authority or any forms are required to be filled and submitted in connection with the execution, delivery and performance of this Agreement by the Escrow Agent and the same has not been obtained/filed, the Escrow Agent shall not be required to perform the relevant obligations or duties under this Agreement till the relevant approvals, consents and/or filings have been made and proof the same is furnished to the Escrow Agent by any of the other Parties.

(k) The Escrow Agent shall not be liable or responsible for any Liabilities or inconvenience which may result from anything done or omitted to be done by it in accordance with the provisions of this Agreement and shall bear no obligation or responsibility to any person in respect of the operation of the Escrow Account unless such liability arises as a result of gross negligence, fraud or wilful default on the part of the Escrow Agent. Under no circumstances shall the Escrow Agent be liable for any consequential or special loss, or indirect, consequential or punitive damages, however caused or arising (including loss of business, goodwill, opportunity or profit) even if advised of the possibility of such loss or damage.The Escrow Agent shall not be responsible or liable for any Liability incurred in relation to the Escrow Documents arising from any transaction made by it in good faith, or arising by reason of any other matter or thing except for any such loss or damage incurred in consequence of gross negligence, fraud or wilful default on the part of the Escrow Agent.

(l) Notwithstanding anything to the contrary in this Agreement, the Escrow Agent shall not in any event be liable for any failure or delay in the performance of its obligations hereunder if it is prevented from so performing its obligations, by any existing or future law or regulation, any existing or future act of governmental authority, Act of God, flood, war (whether declared or undeclared), terrorism, riot, rebellion, civil commotion, strike, lockout, other industrial action, general failure of electricity or other supply, aircraft collision, technical failure, accidental or mechanical or electrical breakdown, computer failure or failure of any money transmission system or any reason which is beyond the control of the Escrow Agent. Additionally, the Escrow Agent shall not be liable for any physical damage arising to the Escrow Documents caused by any of the previously mentioned acts.

(m) Notwithstanding anything to the contrary, the Escrow Agent shall transfer / give custody of the Escrow Documents as per the terms of this Agreement subject to appropriate charges of the Escrow Agent being paid by the relevant Parties.

(n) The Parties hereto further agree and acknowledge that the Escrow Agent shall not be responsible for the validity or sufficiency of this Agreement.

(o) Any corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any corporation or association to which all or substantially all the safe custody business of the Escrow Agent's corporate trust line of business may be transferred, shall be the Escrow Agent under this Agreement without further act.

9.11 Lien, Set Offand Interest

(a) In addition to any general lien or other rights to which the Escrow Agent may be entitled under any applicable law, the Escrow Agent shall have a general lien over the Securities until the satisfaction of all liabilities and obligations (whether actual or contingent) owed by Mars or CopyTele Sub (as applicable) to the Escrow Agent under this Deed. The security referred to in this Clause 9.11 is a continuing security notwithstanding any intermediate payment or settlement of account and is to be in addition to and without prejudice to any other security or securities which the Escrow Agent may hold at any time. Sections 93 and 103 of the Law of Property Act 1925 will not apply to the security interest referred to in this Clause 12.1.

(b) Failing payment or discharge by Mars or CopyTele Sub (as applicable) on the due date for payment or discharge of any sum or liability, the Escrow Agent shall be at liberty at any time or times afterwards with 3 Business Days notice to Mars or CopyTele Sub (as applicable), without the consent of Mars or CopyTele Sub (as applicable) and without prejudice to any other right or remedy which the Escrow Agent may have, to sell all or any of the Securities in such manner and at such price as the Escrow Agent may deem expedient without being responsible for any loss and to apply the net proceeds of sale in or towards payment or discharge of any of that sum or liability as the Escrow Agent may think fit.

(c) The Escrow Agent may, without notice to Mars or CopyTele Sub (as applicable), combine, consolidate or merge all or any of the accounts of Mars or CopyTele Sub (as applicable) with, and liabilities to, the Escrow Agent and may set-off or transfer any sums held for Mars or CopyTele Sub (as applicable) or standing to the credit of any of those accounts in or towards the satisfaction of the liabilities of Mars or CopyTele Sub (as applicable) whether under this Deed or otherwise, and may do so notwithstanding that the balances on those accounts may not be expressed in the same currency and the Escrow Agent is hereby authorised to effect any necessary conversions at any rate of exchange then prevailing in the market. For the avoidance of doubt, the Escrow Agent shall only be entitled to combine accounts where multiple accounts are held between the Escrow Agent and Mars and separately, where multiple accounts are held between the Escrow Agent and CopyTele Sub In no circumstances shall the Escrow Agent be entitled to combine accounts held by Mars with accounts held by CopyTele Sub .

(d) To the extent permitted by applicable law, if any sum of money payable to the Escrow Agent is not paid when due, interest shall accrue upon such unpaid sum as a separate debt, at such reasonable market rate as the Escrow Agent may determine, for the actual number of days during the period from and including the date on which payment was due but excluding the date of payment.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

COPYTELE INTERNATIONAL LTD.

By: /s/ Henry Herms
Name: Henry Herms
Title: Chief Financial Officer

MARS OVERSEAS LIMITED

By: */s/ Pradipkumar N Dhoot*
Name: Pradipkumar N Dhoot
Title: Authorised Signatory

DEUTSCHE BANK AG, LONDON BRANCH

By: /s/ Mahen Surnam
Name: Mahen Surnam
Title:Vice President

By: /s/ S. Ferguson
Name: S. Ferguson
Title: Vice President

SCHEDULE I—FORM OF NOTICE TO ESCROW AGENT

Date: [•]

To
[•],
[Escrow Agent]

Dear Sirs,

We write with reference to the Escrow Agreement dated August [•], 2014 entered into between yourselves, and us (the "**Agreement**").

This certificate is being issued pursuant to Clause 2.3 of the Agreement. Capitalised terms and expressions used in this letter but not defined shall have the same meaning as ascribed to such terms in the Agreement.

Pursuant to our decision to replace the Escrow Agent, you are hereby instructed to release custody of the CopyTele Share Certificate bearing distinctive number CT0022036 to [•] and the Pledged GDRsto *[Successor Escrow Agent]* ("**Successor Escrow Agent**").

The aforesaid CopyTele Share Certificates andPledged GDRsare to be released to the Successor Escrow Agent on [•] Business Day at [•] time.

We hereby affirm that this instruction is irrevocable and unconditional and we shall have no claim against you for effecting the abovementioned release.

COPYTELE INTERNATIONAL LTD.

By: _____
Name:
Title:

MARS OVERSEAS LIMITED
By: _____
Name:
Title:

GDR PURCHASE AGREEMENT

This GDR Purchase Agreement ("**GDR Purchase Agreement**") on the 29th day of August, 2014 ("**Execution Date**"), by and between;

A. **COPYTELE INTERNATIONAL LTD**., a company Incorporated under the laws of the British Virgin Islands and having its registered office at Icaza Gonzalez-Ruiz & Aleman, (BVI) Trust Limited, Vanterpool Plaza, Second Floor, Wickham Cay 1, Road Town, Tortola, British Virgin Islands (hereinafter referred to as "Seller", which expression shall, unless repugnant to the meaning or context thereof, be deemed to include its successors and permitted assigns);

AND

B. **Polyxo Global Limited** a company incorporated under the laws of British Virgin Islands and having its registered office at Nerine Chambers, Quastisky Building, Road Town, Tortola VG 1110 ,British Virgin Islands (hereinafter referred to as "**Purchaser**", which expression shall, unless repugnant to the meaning or context thereof, be deemed to Include its successors and permitted assigns).

For the purposes of this GDR Purchase Agreement, the Seller and the Purchaser are individually referred to as a "**Party**" and collectively referred to as the "**Parties**".

WHEREAS:

The Purchaser is desirous of buying from Seller, and Seller is desirous of selling, the Videocon GDRs (as *defined hereinafter)* to the Purchaser ("**Sale Transaction**"). This GDR Purchase Agreement sets out the principal terms and conditions on which the Parties have agreed to consummate the Sale Transaction.

NOW THIS GDR PURCHASE AGREEMENT WITNESSES AS FOLLOWS:

1. **Definitions**

1.1. "**Completion**" shall mean completion of the Sale Transaction and fulfillment of all the Completion Actions in the manner as set out herein;

1.2. "**Completion Actions**" shall mean each of the actions specified in Clause 3 of this GDR Purchase Agreement;

1.3. "**Completion Date**" shall mean Execution Date;

1.4. "**Custodian**" shall mean Deutsche Bank AG, London Branch, acting as the custodian of the Videocon GDRs presently;

1.5. "**Designated Account**" shall mean such bank account of Seller as may be communicated in writing by Seller to the Purchaser;

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

1.7. "**Law"** shall mean all applicable:

(i) statutes, enactments, acts of legislature or parliament, laws, ordinances, rules, bye-laws, regulations, listing agreements, notifications, guidelines or policies of any applicable country and/or jurisdiction (including the countries and jurisdictions in which the Company carries on any business or activities), including but not limited to any guidelines, circulars, notifications issued by any authority competent to enact laws, rules of any kind;

(a) administrative interpretation, writ, injunction, directions, directives, judgment, arbitral award, decree, orders or governmental approvals of, or agreements with, any governmental authority or recognized stock exchange; and;

(b) international treaties, conventions and protocols, as may be in force from time to time; as may be in force from time to time;

1.8. "**Loss**" shall mean all losses, claims, damages, liabilities, costs (including reasonable attorneys' fees and disbursements) and expenses;

1.9. "**Videocon GDRs**" shall mean, 1,495,845 global depository receipts of Videocon Industries Limited owned by the Seller.

All other capitalized terms which are not specifically defined in this Clause 1 shall have the meaning ascribed to them in the relevant provisions of this GDR Purchase Agreement where such capitalized terms have been defined.

2. **Sale Transaction**

In accordance with the terms and conditions of this GDR Purchase Agreement, Seller shall sell the Videocon GDRs to the Purchaser, for an aggregate consideration of USD 4,500,000 (US Dollars Four Million and Five hundred Thousand only)("**Purchase Consideration**").

The Purchase Consideration shall be payable by the Purchaser to the Seller by wire transfer.

3. Completion

3.1. On the Completion Date, the following shall occur:

(i) The Purchaser shall wire the Purchase Consideration to the account of Seller indicated in Section 2 above;

(ii) Upon confirmation of receipt of the wired funds, Seller shall Instruct the Custodian to transfer the Videocon GDRs to the following account of the Purchaser:.

Clearing Bank — Euroclear Bank
Account Number: 96349
Account Name: KAS bank / First International Group Plc

3.2. The obligations of each of the Parties in this Clause 3 are interdependent of each other. Completion shall not occur unless each of the Completion Actions has been completed and is fully effective. Each of the Completion Actions shall be deemed to be simultaneous upon the satisfaction, compliance and completion of all other Completion Actions.

3.3. If the Seller fails to deliver the Videocon GDRs to the Purchaser within seven days of receipt of Purchase Consideration as aforesaid, it shall forthwith refund the entire amount of Purchase Consideration received by it to the account of the Purchaser, or as nominated from time to time, within three days thereafter.

4. Stamp Duty and Taxes

The Purchaser shall be solely responsible for the payment of any and all transfer charges and taxes, including but not limited to any stamp duties and other such charges, in relation to the Sale Transaction.

5. Representations and Warranties

5.1. Seller hereby represents and warrants to the Purchaser that:

(i) Seller is the absolute legal and beneficial owner, free of all Encumbrances, of the Videocon GDRs. The Videocon GDRs are held by Seller free of all Encumbrances and there are no options, agreements or understandings (exercisable now or in the future and contingent or otherwise) which entitle or may entitle any Person to create or require to be created any Encumbrance over any of the Videocon GDRs. Upon Completion, the Purchasers will acquire a valid and marketable title over the Videocon GDRs, free and clear of all Encumbrances and other third party rights.

(ii) Seller is fully entitled and duly authorised to sell the Videocon GDRs to the Purchaser in the manner and upon the terms and conditions contained in this Agreement and such sale of the Videocon GDRs by Seller to the Purchaser will not result In a breach of the constitutional documents of Seller or any applicable Law or any contractual obligation by which Seller is bound.

5.2. Each Party hereby severally represents and warrants to the other Party that:

(i) It is duly organised and validly and legally existing under the laws of the country of its incorporation. It has the full legal right, capacity and authority to enter into this Agreement. It has the corporate power and authority to execute and perform the terms and provisions of this GDR Purchase Agreement and has taken all necessary corporate action or otherwise, as applicable, to authorise the execution and performance by it of this GDR Purchase Agreement and the transactions contemplated hereby.

(ii) Neither the execution of this GDR Purchase Agreement nor the performance of the transactions contemplated in this GDR Purchase Agreement by such Party will: (a) constitute a breach or violation of its constitutional documents; (b) conflict with or constitute (with or without the passage of time or the giving of notice) a default under or breach of performance of any obligation, agreement or condition that is applicable to such Party which (with or without the passage of time or the giving of notice) affords any Person the right to accelerate any indebtedness or terminate any right; (c) will result in a violation of any applicable Laws.

(iii) This GDR Purchase Agreement constitutes a valid and binding obligation on such Party and is enforceable against it in accordance with its terms.

(iv) No consent and/or approval of any Governmental Authority or any other Person is required by such Party in connection with the execution and performance by such Party of this GDR Purchase Agreement or the consummation of the transactions contemplated by this Agreement.

(v) This agreement constitutes entire agreement between the Parties and supercedes all other correspondence or communication between the Parties and others in connection with purchase and sale of Videocon GDRs, The Parties do not intend to and have not made any representation or warranties with respect to the Videocon GDRs and the transactions contemplated under this Agreement save and except those made in this Agreement.

6. Indemnity

6.1. Each Party severally agrees to indemnify and hold harmless the other Party and/or their respective Affiliates, directors, officers, representatives and employees (individually, an "**Indemnified Party**" and, collectively, the "**Indemnified Parties**") promptly upon demand at any time and from time to time, from and against any Losses arising out of or in relation to any incompleteness, breach or inaccuracy of the representations, warranties and covenants made by such Party under this GDR Purchase Agreement and to which any Indemnified Party may become subject.

6.2. Notwithstanding anything to the contrary set forth herein, neither Party shall be liable to any other Indemnified Party for any indirect, consequential, special or punitive Losses or any opportunity costs or loss of goodwill that may be incurred and/or alleged by the Indemnified Party.

7. Confidentiality

Subject to any mandatory requirements under applicable Law, neither Party shall announce or disclose to any third party any information related to this GDR Purchase Agreement and/or the Sale Transaction, without the prior written consent of the other Party.

8. Notices

Each notice, demand or other communication given or made under thisGDR Purchase Agreement shall be in writing and delivered or sent to the relevant Party at its address set out below (or such other address as the addressee has by 5 (five) days' prior written notice specified to the other Party).

If to the Seller:

Address	CopyTele International Ltd. c/o CopyTele Inc. 900 Walt Whitman Road Melville, New York 11747
Telephone No.	631-549-5900
Fax No	631-549-5974
Attention	Mr. Henry Herms

If to the Purchaser:

Address	Polyxo Global Limited c/o Fidelis Trust & Corporate Services Limited 3rd Floor, NeXTeracom Tower III, Office #01, Ebene Cybercity, Mauritius
Telephone No.	+230 466-0381
Fax No.	+230 466-3264
Attention	Ms Vidyotma Lotun

9. Governing Law, Jurisdiction and Dispute Resolution

9.1. This GDR Purchase Agreement shall be governed by and construed In accordance with the laws of England.

9.2. All disputes arising out of or in relation to this GDR Purchase Agreement (including but not limited to any disputes relating to the existence, validity, interpretation, enforcement or breach of this GDR Purchase Agreement or any provision hereof) shall be resolved and finally settled by arbitration ("**Arbitration**").

9.3. The Arbitration shall be conducted in accordance with the United Nations Commission on International Trade Law Arbitration Rules ("**Rules**"), which shall be deemed to be incorporated herein by reference. The Arbitration shall be conducted and resolved by a single arbitrator, appointed by mutual consent of the Parties, provided however that in the event the Parties fail to agree on the appointment of such arbitrator within a period of 15 (fifteen) days of any Party seeking to initiate the Arbitration, such arbitrator shall be appointed in accordance with the Rules. The seat of arbitration shall be in London, England, United Kingdom and all arbitration proceedings shall be conducted In English language.

10. Miscellaneous

10.1. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument and any Party may execute this Agreement by signing any one or more of such originals or counterparts.

10.2. Each Party agrees to perform (or procure the performance of) all further acts and deeds as the Parties may reasonably require to effectively carry on the full intent and meaning of this GDR Purchase Agreement and to complete the Sale Transaction as contemplated hereunder.

10.3. No modification or amendment to this Agreement and no waiver of any of the terms or conditions hereof shall be valid or binding unless made in writing and duly executed by or on behalf of the Parties.

10.4. The Parties agree that damages may not be an adequate remedy to a breach of this Agreement and the Parties shall be entitled to an injunction, restraining order, right for recovery, suit for specific performance or such other equitable relief as a court of competent jurisdiction may deem necessary or appropriate to restrain the other Party from committing any breach of this GDR Purchase Agreement or enforce the performance of the covenants, representations and obligations contained In this Agreement. These injunctive remedies are cumulative and are in addition to any other rights and remedies the Parties may have at law or in equity, including without limitation a right for damages.

10.5. This GDR Purchase Agreement contains the entire understanding of the Parties in relation to the matters set out herein and shall supersede all prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter hereof.

10.6. The rights and remedies herein provided are cumulative and none is exclusive of any other, or of any rights or remedies that any Party may otherwise have at law or in equity.

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IN WITNESS WHEREOF, the Parties hereto have caused their duly authorized representatives to execute this GDR Purchase Agreement on the day and year first hereinabove written:

Signed and delivered for and on behalf of **Seller**

By: /s/ Henry Herms
Name: Henry Herms
Title: Chief Financial Officer
who, according to the laws of British Virgin Islands is acting under the authority of the Seller.

Signed and delivered for and on behalf of **Purchaser**

By: /s/ Vidyotma Lotun
Name: Ms Vidyotma Lotun
Title: Director
who, according to the laws of British Virgin Islands is acting under the authority of the Purchaser.

SHARE PURCHASE AGREEMENT

This Share Purchase Agreement ("**SPA**") is being entered on this 29th day of August, 2014 ("**Execution Date**"), by and between;

A. **MARS OVERSEAS LIMITED**, a company incorporated under the laws of the Cayman Islands and having its registered office at PO Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands (hereinafter referred to as "**Seller**", which expression shall, unless repugnant to the meaning or context thereof, be deemed to include its successors and permitted assigns);

AND

B. **COPYTELE INTERNATIONAL LTD**., a company incorporated under the laws of the British Virgin Islands and having its registered office at lcaza Gonzalez-Ruiz & Aleman, (BVI) Trust Limited, Vanterpool Plaza, Second Floor, Wickham Cay 1, Road Town, Tortola, British Virgin Islands (hereinafter referred to as "Purchaser", which expression shall, unless repugnant to the meaning or context thereof, be deemed to include its successors and permitted assigns).

For the purposes of this SPA, the Seller and the Purchaser are individually referred to as a "**Party**" and collectively referred to as the "**Parties**".

WHEREAS:

The Purchaser is desirous of buying from Seller, and Seller is desirous of selling, the Sale Shares *(as defined hereinafter)* to the Purchaser ("**Sale Transaction**"). This SPA sets out the principal terms and conditions on which the Parties have agreed to consummate the Sale Transaction.

NOW THIS SPA WITNESSES AS FOLLOWS:

1. **Definitions**

1.1. "**Company**" shall mean CopyTele Inc., a company incorporated under the laws of the state of Delaware in the United States of America and having its principle place of business at 900 Walt Whitman Road, Melville, New York 11747 (including, unless repugnant to the meaning or context thereof, its successors and permitted assigns);

1.2. "**Completio**n" shall mean completion of the Sale Transaction and fulfillment of all the Completion Actions in the manner as set out herein;

1.3. "**Completion Actions**" shall mean each of the actions specified in Clause 3 of this SPA;

1.4. "**Completion Date**" shall mean the Execution Date;

1.5. "**GDR Purchase Agreement**" shall mean the agreement of even date herewith, between CopyTele International Ltd, and Polyxo Global Limited, pursuant to which CopyTele International Ltd. has agreed to transfer to Polyxo Global Limited, 1,495,845 global depository receipts of Videocon Industries Limited (NIL"), simultaneous to the transfer of the Sale Shares to the Purchaser by the Seller pursuant to the terms hereunder ("**GDR Sale Transaction**");

1.6. "**Designated Account**" shall mean such bank account of Seller as may be communicated in writing by Seller to the Purchaser;

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

1.8, "**Escrow Agent**" shall mean Deutsche Bank AG, London Branch, acting as the custodian of the share certificates representing the Sale Shares pursuant to the terms of the Share Purchase Escrow Agreement;

1.9. "**Escrow Agreement**" shall mean the escrow agreement dated August 29, 2014 executed between Deutsche Bank AG, London Branch, the Seller and CopyTele International Limited;

1.10. "**Law"** shall mean all applicable:

(i) statutes, enactments, acts of legislature or parliament, laws, ordinances, rules, bye-laws, regulations, listing agreements, notifications, guidelines or policies of any applicable country and/or jurisdiction (including the countries and jurisdictions in which the Company carries on any business or activities), including but not limited to any guidelines, circulars, notifications issued by any authority competent to enact laws, rules of any kind;

(a) administrative interpretation, writ, injunction, directions, directives, judgment, arbitral award, decree, orders or governmental approvals of, or agreements with, any governmental authority or recognized stock exchange; and;

(b) international treaties, conventions and protocols, as may be in force from time to time; as may be in force from time to time;

1.11. "**Loss**" shall mean all losses, claims, damages, liabilities, costs (including reasonable attorneys' fees and disbursements) and expenses; and

1.12. "**Release Instruction**" shall mean an instruction issued jointly by the Seller and CopyTele International Limited to the Escrow Agent in accordance with the Escrow Agreement, instructing the Escrow Agent to, *inter* atia, transfer the share certificates representing the Sale Shares to the Purchaser; and

1.13. "**Sale Shares**" shall mean, 20,000,000 equity shares of the Company owned by the Seller.

All other capitalized terms which are not specifically defined in this Clause 1 shall have the meaning ascribed to them in the relevant provisions of this SPA where such capitalized terms have been defined.

2. Sale Transaction

In accordance with the terms and conditions of this SPA, Sellershall sell the Sale Shares to the Purchaser, for an aggregate consideration of USD $4,500,000 (US Dollars Four Million Five Hundred Thousand Only) ("**Purchase Consideration**").

The Purchaser shall arrange to remit the Purchase Consideration subject to deduction on account of any withholding by Escrow Agent, if required. The Purchaser however confirms that it is not required to deduct any amount from the Purchase Consideration on account of withholding tax under the laws applicable to it and the Purchaser will not be responsible for the deduction on account of withholding tax, if any, made by the Escrow Agent pursuant to the laws applicable to the Escrow Agent. The Purchaser however agrees that it will reimburse the amount of withholding tax to the Seller within ten days if the deduction has been made by the Escrow Agent on the express instruction of the Purchaser. If the Escrow Agent deducts any amount of withholding tax in absence of any express instructions from the Purchaser, the Purchaser agrees and undertakes to take all reasonable steps to file the tax returns and other necessary documents with the relevant authorities for getting a tax refund and shall arrange to remit the same to the Seller within ten days of receipt of tax refund, if any such tax refund is obtained.

The Purchase Consideration shall be payable by the Purchaser to the Seller in immediately available fundsby wire transfer.

3. Completion

3.1. On the Completion. Date, the following shall occur:

(i) The Share Sale Transaction shall be completed between Mars Overseas Limited and CopyTele International Ltd. in accordance with the terms herein,

(ii) The GDR Sale Transaction shall be completed between CopyTele International Ltd. And Polyxo Global. Limited in accordance with the terms of the GDR Purchase Agreement.

3.2. The obligations of each of the Parties in this Clause 3 are interdependent on each other. Completion shall not occur unless each of the Completion Actions has been completed and is fully effective. Each of the Completion Actions shall be deemed to be simultaneous upon the satisfaction, compliance and completion of all other Completion Actions.

4. Stamp Duty and Taxes

The Purchaser shall be solely responsible for the payment of any and all transfer charges and taxes, including but not limited to any stamp duties and other such charges, in relation to the Sale Transaction.

5. Representations and Warranties

5.1. Seller hereby represents and warrants to the Purchaser that:

(i) Seller is the absolute legal and beneficial owner, free of all Encumbrances, of the Sale Shares. The Sale Shares are held by Seller free of all Encumbrances and there are no options, agreements or understandings (exercisable now or in the future and contingent or otherwise) which entitle or may entitle any Person to create or require to be created any Encumbrance over any of the Sale Shares. Upon Completion, the Purchasers will acquire a valid and marketable title over the Sale Shares, free and clear of all Encumbrances and other third party rights.

(ii) Seller is fully entitled and duly authorised to sell the Sale Shares to the Purchaser in the manner and upon the terms and conditions contained in this Agreement and such sale of the Sale Shares by Seller to the Purchaser will not result in a breach of the constitutional documents of Seller or any applicable Law or any contractual obligation by which Seller is bound.

5.2. Each Party hereby severally represents and warrants to the other Party that:

(i) It is duly organised and validly and legally existing under the laws of its incorporation. It has the full legal right, capacity and authority to enter into this Agreement. It has the corporate power and authority to execute and perform the terms and provisions of this SPA and has taken all necessary corporate action or otherwise, as applicable, to authorise the execution and performance by it of this SPA and the transactions contemplated hereby.

(ii) Neither the execution of this SPA nor the performance of the transactions contemplated in this SPA by such Party will: (a) constitute a breach or violation of its constitutional documents; (b) conflict with or constitute (with or without the passage of time or the giving of notice) a default under or breach of performance of any obligation, agreement or condition that is applicable to such Party which (with or without the passage of time or the giving of notice) affords any Person the right to accelerate any indebtedness or terminate any right; (c) will result in a violation of any applicable Laws.

(iii) This SPA constitutes a valid and binding obligation on such Party and is enforceable against it in accordance with its terms. No consent and/or approval of any Governmental Authority or any other Person is required by such Party in connection with the execution and performance by such Party of this SPA or the consummation of the transactions contemplated by this Agreement.

6. Indemnity

6.1. Each Party severally agrees to indemnify and hold harmless the other Partyand/or their respective Affiliates, directors, officers, representatives and employees (individually, an "**Indemnified Party**" and, collectively, the "**Indemnified Parties**") promptly upon demand at any time and from time to time, from and against any Losses arising out of or in relation to any incompleteness, breach or inaccuracy of the representations, warranties and covenants made by such Party under this SPA and to which any Indemnified Party may become subject.

6.2. Notwithstanding anything to the contrary set forth herein, neither Party shall be liable to any other Indemnified Party for any indirect, consequential, special or punitive Losses or any opportunity costs or loss of goodwill that may be incurred and/or alleged by the Indemnified Party.

7. Confidentiality

Subject to any mandatory requirements under applicable Law, neither Party shall announce or disclose to any third party any information related to this SPA and/or the Sale Transaction, without the, prior written consent of the other Party.

8. Notices

Each notice, demand or other communication given or made under this SPA shall be in writing and delivered or sent to the relevant Party at its address set out below (or such other address as the addressee has by 5 (five) days' prior written notice specified to the other Party).

If to Seller:

Address	Mars Overseas Limited Unit No. 207 & 208, Indogo Tower, Cluster D, Jumeirah Lake Towers, PO Box 488236, Dubai United Arab Emirates
Telephone No.	+971 44227097
Fax No.	+971 44534301

Attention	Mr. Pradipkumar N. Dhoot

If to Purchaser:

Address	CopyTele International Ltd. c/o CopyTele Inc. 900 Walt Whitman Road Melville, New York 11747
Telephone No.	631-549-5900
Fax No.	631-549-5974
Attention	Mr. Henry Herms

9. Governing Law, Jurisdiction and Dispute Resolution

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

9.2. All disputes arising out of or in relation to this SPA (including but not limited to any disputes relating to the existence, validity, interpretation, enforcement or breach of this SPA or any provision hereof) shall be resolved and finally settled by arbitration ("**Arbitration**").

9.3. The Arbitration shall *be* conducted in accordance with the United Nations Commission on International Law Arbitration Rules ("Rules"), which shall be deemed to be incorporated herein by reference. The Arbitration shall be conducted and resolved by a single arbitrator, appointed by mutual consent of the Parties, provided however that in the event the Parties fail to agree on the appointment of such arbitrator within a period of 15 (fifteen) days of any Party seeking to initiate the Arbitration, such arbitrator shall be appointed in accordance with the Rules. The seat of arbitration shall be in London, England, United Kingdom and all arbitration proceedings shall be conducted in English language.

10. Miscellaneous

10.1. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument and any Party may execute this Agreement by signing any one or more of such originals or counterparts.

10.2. Each Party agrees to perform (or procure the performance of) all further acts and deeds as the Parties may reasonably require to effectively carry on the full intent and meaning of this SPA and to complete the Sale Transaction as contemplated hereunder.

10.3. No modification or amendment to this Agreement and no waiver of any of the terms or conditions hereof shall be valid or binding unless made in writing and duly executed by or on behalf of the Parties.

10.4. The Parties agree that damages may not be an adequate remedy to a breach of this Agreement and the Parties shall be entitled to an injunction, restraining order, right for recovery, suit for specific performance or such other equitable relief as a court of competent jurisdiction may deem necessary or appropriate to restrain the other Party from committing any breach of this SPA or enforce the performance of the covenants, representations and obligations contained in this Agreement. These injunctive remedies are cumulative and are in addition to any other rights and remedies the Parties may have at law or in equity, including without limitation a right for damages.

10.5. This SPA contains the entire understanding of the Parties in relation to the matters set out herein and shall supersede all prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter hereof.

10.6. The rights and remedies herein provided are cumulative and none is exclusive of any other, or of any rights or remedies that any Party may otherwise have at law or in equity.

****

IN WITNESS WHEREOF, the Parties hereto have caused their duly authorized representatives to execute this SPA on the day and year first hereinabove written:

Signed and delivered for and on behalf of **Seller**

By /s/Pradipkumar N. Dhoot
Name Pradipkumar N. Dhoot
Title Authorised Signatory

Signed and delivered for and on behalf of Purchaser

By: /s/Henry Herms
Name Henry Herms
Title Chief Financial Officer

Exhibit 10.21

DEBT CONVERSION AGREEMENT

This Debt Conversion Agreement (this "Agreement"), dated as of September 9, 2014, by and between ITUS Corporation, a Delaware corporation (the "Company"), and Adaptive Capital LLC ("Adaptive"), a Delaware limited liability company.

WHEREAS, on November 11, 2013, the Company issued a 6% convertible debenture to Adaptive in the principal amount of $3,500,000 (the "Debenture") and a three-year warrant (the "Warrant") to purchase 9,249,472 shares of common stock, par value $0.01 per share (the "Common Stock") at the purchase price of $0.3784 (the "Exercise Price") pursuant to a certain Subscription Agreement (the "Subscription Agreement") by and between the Company and Adaptive dated November 11, 2013; and

WHEREAS, as more fully described below, Adaptive has agreed to convert the principal amount of the Debenture into shares of Common Stock in accordance with the terms of such Debenture, and then immediately exchange such Common Stock for Series A Convertible Preferred Stock, par value $100 per share ("Series A Preferred Stock"), of the Company.

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

1. **DEBT CONVERSION**

(a) Adaptive hereby agrees, subject to the conditions set forth herein, to convert (the "Conversion") the entire $3,500,000 principal amount of the Debenture (the "Principal Amount") and all accrued but unpaid interest on the Debenture into 18,498,943 shares of Common Stock, par value $0.01 per share (the "Conversion Common Stock") and immediately thereafter exchange 15,978,943 shares of the Conversion Common Stock into 3,500 shares of Series A Preferred Stock (the "Series A Preferred Shares") having the designations, rights and preferences set forth in the Series A Preferred Stock Certificate of Designations (the "Certificate of Designations"), which is attached as Exhibit A hereto. The Series A Preferred Shares will be convertible into shares of Common Stock, par value $0.01 per share, in accordance with, and subject to adjustments set forth in, the Certificate of Designations. Upon such exchange, the Company shall deliver to Adaptive share certificates reflecting the issuance of the Series A Preferred Shares and shall reflect such issuance in its books and records.

(b) The Company will at all times have reserved for issuance the amount of shares of Common Stock issuable upon conversion of the Series A Preferred Shares. Upon issuance of such shares of Common Stock in accordance with the Company's certificate of incorporation, such shares will be validly issued, fully paid and nonassessable and free of restrictions on transfer other than restrictions on transfer under applicable federal and state securities laws.

2. **EXCHANGE OF WARRANT FOR NEW WARRANT**

(a) Upon consummation of the Conversion, the Company and Adaptive will exchange the Warrant for a new Warrant (the "New Warrant" and together with the Conversion Common Stock and the Series A Preferred Shares, the "Securities"), which New Warrant will have terms substantially the same as the Warrant, including the same expiration date as the Warrant, except that the

Exercise Price of the New Warrant shall be $0.31 per share. For avoidance of doubt, the number of shares issuable upon exercise of the Warrant shall remain unchanged.

(b) The Company's delivery of this Agreement to Adaptive shall constitute notice of adjustment (the "Notice of Adjustment") and certificate of the Chief Financial Officer of the Company (the "CFO Certificate") required by Section 7.3 of the Warrant.

3. **TAX TREATMENT**

The exchange of the Conversion Common Stock for Series A Preferred Shares and the exchange of the Warrant for the New Warrant are intended to qualify as a "recapitalization" under Section 368 (a)(1)(E) of the Internal Revenue Code.

4. **CLOSING**

Subject to the terms and conditions of this Agreement, the consummation of the transactions contemplated by this Agreement shall take place at a closing ("Closing") to be held at 10:00 a.m., local time, on the date (the "Closing Date") on which the last of the conditions set forth in Section 5(a) and (b) below is fulfilled, at the offices of Ellenoff Grossman & Schole, LLP, 1345 Avenue of the Americas, New York, New York 10105, or at such other time, date or place as the parties may agree upon.

5. **CLOSING CONDITIONS**

(a) The obligations of the Company to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment of the following conditions:

(i) The representations and warranties of Adaptive made in this Agreement shall be true and correct in all material respects as of the Closing Date as if such representations and warranties had been made on and as of such date;

(ii) Adaptive shall have delivered to the Company for cancellation the Debenture;

(iii) Adaptive shall have obtained all approvals from its board of directors or other governing bodies; and

(iv) Adaptive shall have complied in all material respects with all of its obligations hereunder.

(b) The obligations of Adaptive to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment of the following conditions:

(i) The representations and warranties of the Company made in this Agreement shall be true and correct in all material respects as of the Closing Date as if such representations and warranties had been made on and as of such date;

(ii) The Company shall have filed the Certificate of Designations of the Series A Preferred Shares with the Secretary of State of Delaware and such Certificate of Designations shall have been accepted; and

(iii) The Company shall have complied in all material respects with all of its obligations hereunder.

6. **REPRESENTATIONS AND WARRANTIES OF COMPANY**. The Company hereby represents and warrants to Adaptive as follows:

(a) the Company and each of its subsidiaries has been duly incorporated, formed or organized, is validly existing as a corporation or other legal entity in good standing under the laws of the jurisdiction of its incorporation, formation or organization, has the corporate or other power and authority to own its property and to conduct its business and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification; all of the issued shares of capital stock or similar interests of each of the Company's subsidiaries have been duly and validly authorized and issued, are fully paid and nonassessable and are owned directly by the Company, free and clear of any security interest, lien, claim or other encumbrance;

(b) no consent, approval, authorization or order of, notice to or filing or registration with any court, governmental agency or body or arbitrator having jurisdiction over the Company or any of the Company's affiliates or holders of outstanding securities of the Company is required for the execution of this Agreement or the performance of the Company's obligations hereunder;

(c) none of the issuance of the Conversion Common Stock, Series A Preferred Stock or New Warrant, nor the performance of the Company's other obligations pursuant to this Agreement or the Certificate of Designations 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 of trust or other instrument to which the Company is a party or otherwise bound or to which any property of the Company is subject;

(d) 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; this Agreement has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms;

(e) the Company has duly authorized the issuance of the Conversion Common Stock, Series A Preferred Shares and New Warrant;

(f) the Conversion Common Stock, Series A Preferred Shares and New Warrant, when issued and delivered in accordance with the terms of the Company's certificate of incorporation and the Certificate of Designations, 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;

(g) assuming the accuracy of the representations of Adaptive in Section 7, the Conversion Common Stock, the Series A Preferred Shares and the New Warrant will be issued in compliance with all applicable federal and state securities laws;

(h)

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;

(i) 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;

(j) all outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, and have not been issued in violation of or subject to any preemptive rights or other rights to subscribe for or purchase securities. The authorized capital stock of the Company consists of 600,000,000 shares of Common Stock, of which 236,862,190 shares are outstanding as of September 3, 2014 (including 20,000,000 shares acquired from a single investor and held in treasury). There are issued and outstanding options to purchase 76,398,770 shares of Common Stock subject to the Company's existing stock option or similar plan. There are issued and outstanding warrants to purchase 25,923,281 shares of Common Stock (including warrants held by Adaptive). The Company has reserved for issuance up to 11,100,000 shares of Common Stock which are available for purchase by a single investor, at the Company's sole discretion, pursuant to a Stock Purchase Agreement expiring in April 2015. There are no other outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal or similar rights) or agreements, orally or in writing, to purchase or acquire from the Company any shares of Common Stock or Series A Preferred Stock, or any securities convertible into or exchangeable for shares of Common Stock or Series A Preferred Stock.

(k) the Company is not disqualified from relying on Rule 506 of Regulation D ("Rule 506") under the Securities Act for any of the reasons stated in Rule 506(d) in connection with the issuance and sale of the Series A Preferred Shares to Adaptive. The Company has furnished to Adaptive, a reasonable time prior to the date hereof, a description in writing of any matters that would have triggered disqualification under Rule 506(d) but which occurred before September 23, 2013, in each case, in compliance with the disclosure requirements of Rule 506(e) under the Securities Act; and

(l) The Company will not report any interest income (or original issue discount) to Adaptive or to the IRS in respect of the Debenture.

The Company has not made any representations or warranties to Adaptive, and Adaptive has not relied upon any representations or warranties of the Company, except as expressly set forth in this Section 6.

7. **REPRESENTATIONS AND WARRANTIES OF ADAPTIVE**. Adaptive represents and warrants to the Company as follows:

(a) the acquisition of the Securities by Adaptive is not part of a plan or scheme to evade the registration requirements of the Securities Act;

(b) Adaptive 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 (a) (2) thereof and the provisions of Regulation D ("Regulation D") as promulgated by the Securities and Exchange Commission (the "SEC"), based, in part, upon the representations, warranties and agreements of Adaptive contained in this Agreement;

(c)

Adaptive is, and on the date on which it exercises the New Warrant will be, an "accredited investor," as such term is defined in Rule 501(a) under the Securities Act, and Adaptive satisfies at least one of the categories of accredited investors as set forth on the Accredited Investor Questionnaire attached as Schedule1 to the Subscription Agreement;

(d) Adaptive, 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 reports the Company has filed with the SEC), has concluded that it is able to bear those risks;

(e) Adaptive has adequate means of providing Adaptive's current financial needs and foreseeable contingencies and has no need for liquidity of its investment in the Securities for an indefinite period of time;

(f) Adaptive confirms that, in making Adaptive's decision with respect to the Conversion, Adaptive and Adaptive'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 Adaptive;

(g) Adaptive has independently evaluated the merits of its decision of Conversion, and Adaptive confirms and understands that nothing in this Agreement or any other materials presented by or on behalf of the Company to Adaptive in connection with the purchase of the Securities constitutes legal, tax or investment advice. Adaptive 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) Adaptive 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 [SERIES A PREFERRED STOCK] [WARRANT] NOR THE SECURITIES ISSUABLE UPON [CONVERSION HEREOF][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 [CONVERSION HEREOF][EXERCISE OF THIS WARRANT]] MAY NOT BE OFFERED FOR SALE, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF (1) 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 SA TISF ACTORY 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, Adaptive will be acting only for itself and not as part of a sale or planned distribution in violation of the Securities Act;

(j) Adaptive is unaware of, is in no way relying on, and did not become aware of the Conversion 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 Adaptive was invited by, or any solicitation of a subscription by, a person not previously known to Adaptive in connection with investments in securities generally;

(k) Adaptive 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) Adaptive is acquiring the Securities, and will acquire the shares issuable upon conversion of the Series A Preferred Shares and the Warrant Shares upon exercise, respectively, thereof, 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. Adaptive acknowledges that the Securities have not been registered under the Securities Act or any applicable state securities law;

(m) Adaptive (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, Adaptive, 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 Adaptive;

(n) no consent, approval, authorization or order of any court, governmental agency or body or arbitrator having jurisdiction over Adaptive or any of Adaptive's affiliates is required for the execution of this Agreement or the performance of Adaptive's obligations hereunder, including, without limitation, the purchase of the Series A Preferred Shares by Adaptive;

(o) Adaptive has its principal place of business at the address immediately set forth below such Adaptive's name on the signature pages hereto;

(p) The foregoing representations, warranties and undertakings are made by Adaptive with the intent that they be relied upon in determining Adaptive's suitability as an investor in the Company.

(q)

Adaptive has enclosed with this Agreement appropriate evidence of the authority of the individual executing this Agreement to act on behalf of Adaptive.

8. **FILINGS**. Promptly after execution of this Agreement, the Company shall file with the SEC a Current Report on Form 8-K (the "Form 8-K") with respect to the transactions contemplated hereby. Notwithstanding the foregoing, any disclosure may be made by a party which its counsel advises is required by applicable law or regulation, in which case the other party shall be given such reasonable advance notice as is practicable in the circumstances and the parties shall use their best efforts to cause a mutually agreeable release or announcement to be issued. The parties may also make appropriate disclosure of the transactions contemplated by this Agreement to their officers, directors, agents and employees.

9. **REGISTRATION RIGHTS.**

9.1 (a) The Company shall use its reasonable best efforts to prepare and file with the SEC a Registration Statement on Form S-1 or other applicable form under the Securities Act (the "Registration Statement") covering the resale the Registrable Securities (hereinafter defined) by Adaptive as promptly as possible, and in any event within ninety (90) days after the date hereof (the "Filing Date"). Notwithstanding anything in this Agreement to the contrary, the Company may, by written notice to Adaptive, delay the filing of a Registration Statement or any amendment thereto, if in the good faith determination of the Board of Directors of the Company, 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. "Registrable Securities" means (i) the shares of Common Stock issued to Adaptive pursuant to this Agreement, (ii) the shares of Common Stock issued to Adaptive upon conversion of the Series A Preferred Shares, 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.

(b) If a Registration Statement covering the resale of the Registrable Securities is not filed on or prior to its Filing Date (any such failure or breach being referred to as a "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 Series A Preferred Shares an amount in cash, as liquidated damages ("Liquidated Damages") and not as a penalty, equal to 1.0% of the Principal Amount. 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 a Filing Default.

9.2 Obligations of the Company. In connection with the registration of the Registrable Securities as contemplated by Section 9.1, the Company shall:

(a) prepare a Registration Statement and file it with the SEC, 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 date of this Agreement, 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 SEC 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 under the Securities Act 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 the date of this Agreement;

(c) furnish to Adaptive such number of copies of a prospectus, including a preliminary prospectus and all amendments and supplements thereto, and such other documents, as Adaptive may reasonably request in order to facilitate the disposition of the Registrable Securities owned by Adaptive;

(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 Adaptive, (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 9;

(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 Adaptive as he, she or it may reasonably request;

(f) promptly notify Adaptive (or, in the event of an underwritten offering, the managing underwriters) of the issuance by the SEC 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 Adaptive 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 Adaptive may reasonably request in order for Adaptive 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.

9.3 Obligations of Adaptive.

(a) It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Article 9 with respect to Adaptive that Adaptive shall furnish to the Company such information regarding Adaptive, the Registrable Securities held by Adaptive 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 Adaptive of the information the Company requires from Adaptive (the "Requested Information") if Adaptive 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 Adaptive, then the Company may file the Registration Statement without including Registrable Securities of Adaptive.

(b) Adaptive, by its 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, Adaptive 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 Adaptive has decided not to participate.

(d) Adaptive agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 9.2(e), Adaptive will immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until its receipt of the copies of the supplemented or amended prospectus contemplated by Section 9.2(e). In addition, the Company may restrict disposition of Registrable Securities and Adaptive will not be able to dispose of such Registrable Securities, if the Company shall have delivered a certificate to Adaptive 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.

9.4 Expenses of Registration. In connection with any and all registrations pursuant to this Article 9, 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 and the fees and disbursements of counsel for the Company shall be borne by the Company.

9.5 Indemnification. In the event any Registrable Securities are included in a Registration Statement:

(a) To the extent permitted by law, the Company will indemnify and hold harmless Adaptive (in such capacity) and its members, managers, directors, officers and/or agents, any underwriter (as defined in the Securities Act) for Adaptive, 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 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 SEC), 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 9.5(d) with respect to the number of legal counsel, the Company shall promptly reimburse Adaptive, and each such other person entitled to indemnification under this Section 9.5, 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 9.5(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 Adaptive 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 Adaptive 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 Adaptive and shall survive the transfer of the Registrable Securities by Adaptive as provided herein.

(b) In connection with any Registration Statement in which Adaptive is participating in such capacity, Adaptive agrees to indemnify and hold harmless, to the same extent and in the same manner set forth in Section 9.5(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 Adaptive expressly for use in connection with such Registration Statement; and Adaptive 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 9.5(b) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of Adaptive, 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 9.5 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 9.5, 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 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 Adaptive and any Indemnified Party related thereto; such legal counsel shall be selected by Adaptive 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 9.5, 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 9.5 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 9.6 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 9.5 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 9.5, (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.

10. **SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS**. 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.

11. **NOTICES**. Any notice, demand or request required or permitted to be given by the Company or Adaptive 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.

12. **PREEMPTIVE RIGHTS.** In the event that, at any time and from time to time after the date hereof, the Company sells or offers to sell its securities in a private placement, Adaptive shall be given the right to either (at the Company's sole election) (i) participate in such private placement or (ii) purchase the same securities on the same terms as in the private placement following the completion of such private placement, in either case with respect to such number of securities as to maintain Adaptive's aggregate percentage ownership of the Company on a fully diluted basis. The Company will promptly notify Adaptive of the proposed private placement and will state whether Adaptive will be able to purchase securities pursuant to (i) or (ii) above. Adaptive may then elect in writing to exercise its rights to purchase the securities in connection with its preemptive rights within 10 days from receipt of the notice (the "Notice Period"). In the event that Adaptive elects not to exercise its preemptive rights or Adaptive does not respond within the Notice Period, such preemptive rights shall be terminated with respect to such private placement (but not with respect to any subsequent private placement).

13. **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 supersedes any prior agreements between the parties including, but not limited to, the Subscription Agreement dated November 11, 2013, 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 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 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 Agreement and the transactions contemplated hereby whether or not the transactions contemplated hereby are consummated; provided, however, that the Company shall reimburse Adaptive for all reasonable legal expenses incurred by Adaptive in connection with the transactions contemplated by this Agreement, provided, however, that such reimbursement shall only take place upon the successful consummation of the transaction (such reimbursement to be made by wire transfer of immediately available funds by the Company to such account designated by Adaptive or such other method as agreed to by the parties to this Agreement).

(f) Paragraph titles are for descriptive purposes only and shall not control or alter the meaning of this 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 Agreement to be executed by their duly authorized representatives as of the date first above written.

ITUS CORPORATION

By: /s/ Robert A. Berman
Name: Robert A. Berman
Title: President and Chief Executive Officer

Adaptive Capital, LLC

By: /s/ James Brown
Name: James Brown
Title: Manager

Business Address:
500 Ygnacio Valley Road
Suite 360
Walnut Creek, CA 94596

Mailing Address, if different from Business Address
_____

Exhibit 10.22

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. CT-1440 Expiration Date: November 11, 2016

Warrant to Purchase 9,249,472 Shares

ITUS CORPORATION
COMMON STOCK PURCHASE WARRANT

This certifies that, for good and valuable consideration, ITUS Corporation, a Delaware corporation (including any successor thereto with respect to the obligations hereunder, by merger, consolidation or otherwise, the "**Company**"), grants to Adaptive Capital LLC or permitted assigns (the "**Warrantholder**") the right to subscribe for and purchase, in whole or in part, from time to time from the Company Nine Million Two Hundred Forty Nine Thousand Four Hundred Seventy Two (9,249,472) 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 $0.31 (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 11 hereof, unless the context shall otherwise require.

This Warrant (this "**Warrant**"), which was initially issued pursuant to the Subscription Agreement, dated November 11, 2013 (the "**Issuance Date**"), by and between the Company and the subscriber party thereto, is being reissued pursuant to the terms of the Debt Conversion Agreement, dated September 9, 2014, by and between the Company and the subscriber party thereto (the "**Debt Conversion 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 (as defined below) covering the Warrant Shares at the time of exercise, 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 Weighted Average Price of one share of Common Stock (at the date of such calculation).

B = the Exercise Price (as adjusted to the date of such calculation).

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 and warranties contained in Section 7 of the Debt Conversion Agreement, including without limitation the representation and warranty that the Warrantholder is an "accredited investor," 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 Debt Conversion 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. The Warrantholder shall not, 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, in whole or in part, 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 the Warrantholder wishes to Transfer this Warrant to a transferee (a "**Transferee**") under this Section 2, the Warrantholder shall give notice to the Company through the use of the assignment form attached hereto as Exhibit B 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 transferred 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 transferred 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; 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.

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 out of its authorized Common Stock, solely for the purpose of issuance upon exercise of this Warrant, 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. In case this Warrant shall be mutilated, lost, stolen or destroyed, the Company shall issue and deliver in exchange and substitution for and upon cancellation of the mutilated Warrant, or in lieu of and substitution for the Warrant, mutilated, lost, stolen or destroyed, a new Warrant 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 or bond, if requested, also reasonably satisfactory to it.

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 Warrant 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 Warrantholder 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 Warrantholder 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 Warrantholder or an affiliate thereof, the Warrantholder 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 Warrantholder 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 Warrantholder. If the Warrantholder has delivered an Exercise Notice for a portion of this Warrant that, without regard to any other shares that the Warrantholder or its affiliates may beneficially own, would result in the issuance in excess of the permitted amount hereunder, the Company shall notify the Warrantholder 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 I 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 Warrantholder 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 (61st) day after such notice is delivered to the Company. Upon request of the Company, the Warrantholder shall promptly advise the Company as to the number of shares of Common stock then owned by the Warrantholder.

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 Issuance Date 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 Issuance Date 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 the 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 the 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 of the Common Stock).

(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 deliver 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 Warrantholder.

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 deliver 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. Registration Rights.

10.1 Registration Right

(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-l or other applicable form under the Securities Act (the **"Registration Statement"**) covering the resale the Registrable Securities (as defined in Section 11) by the Warrantholder (and certain other subscribers of the Company's securities) as promptly as possible, and in any event within ninety (90) days after the Issuance Date (the **"Filing Date"**). Notwithstanding anything in this Warrant to the contrary, the Company may, by written notice to the Warrantholder, delay the filing of a Registration Statement or any amendment thereto, if in the good faith determination of the Board of Directors of the Company, 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) For the avoidance of doubt, the parties agree that the Company shall not be liable for Liquidated Damages (as defined in the Debt Conversion Agreement) with respect to any Warrants or Warrant Shares.

10.2 Obligations of the Company. In connection with the registration of the Registrable Securities as contemplated by Section 10.1, 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 until the Registrable Securities can be sold under Rule 144 under the Securities Act 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 Warrantholder such number of copies of a prospectus, including a preliminary prospectus and all amendments and supplements thereto, and such other documents, as the Warrantholder may reasonably request in order to facilitate the disposition of the Registrable Securities owned by the Warrantholder;

(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 Warrantholder, (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 Section 10;

(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 Warrantholder as he, she or it may reasonably request;

(f) promptly notify the Warrantholder (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 Warrantholder 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 Warrantholder 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.

10.3 Obligations of the Warrantholder.

(a) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 10.1 and 10.2 with respect to the Warrantholder that the Warrantholder shall furnish to the Company such information regarding the Warrantholder, the Registrable Securities held by the Warrantholder 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 Warrantholder of the information the Company requires from the Warrantholder (the "**Requested Information**") if the Warrantholder 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 Warrantholder, then the Company may file the Registration Statement without including Registrable Securities of the Warrantholder.

(b) The Warrantholder, by its 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 Warrantholder 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 Warrantholder has decided not to participate.

(d) The Warrantholder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 10.2(e), the Warrantholder will immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until its receipt of the copies of the supplemented or amended prospectus contemplated by Section 10.2(e). In addition, the Company may restrict disposition of Registrable Securities and the Warrantholder will not be able to dispose of such Registrable Securities, if the Company shall have delivered a certificate to the Warrantholder 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.

10.4 Expenses of Registration. In connection with any and all registrations pursuant to Section 10, 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 and the fees and disbursements of counsel for the Company shall be borne by the Company.

10.5 Indemnification. In the event any Registrable Securities are included in a Registration Statement under this Warrant:

(a) To the extent permitted by law, the Company will indemnify and hold harmless the Warrantholder (in such capacity) and its members, managers, directors, officers and/or agents, any underwriter (as defined in the Securities Act) for the Warrantholder, 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 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 10.5(d) with respect to the number of legal counsel, in the event that a conflict arises with Company's attorneys where Warrantholder deems it necessary, in Warrantholder's reasonable discretion, to engage outside, independent counsel, the Company shall promptly reimburse the Warrantholder, and each such other person entitled to indemnification under this Section 10.5, as such expenses are incurred and are due and payable, for any reasonable 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 10.5(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 Warrantholder 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 Warrantholder 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 Warrantholder and shall survive the transfer of the Registrable Securities by the Warrantholder as provided herein.

(b) In connection with any Registration Statement in which the Warrantholder is participating in such capacity, the Warrantholder agrees to indemnify and hold harmless, to the same extent and in the same manner set forth in Section 10.5(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 Warrantholder expressly for use in connection with such Registration Statement; and the Warrantholder 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 10.5(b) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Warrantholder, 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 10.5 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 10.5, 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 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 Warrantholder 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 10.5, 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 10.5 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.

10.6 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 10.5 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 10.5, (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.

11. 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 November 11, 2016; provided, however, that if such date shall not be a Business Day, then on the next following day that is a Business Day.

"**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 Issuance Date, is the OTC Bulletin Board.

"**Registrable Securities**" means (i) the shares of Common Stock issuable upon exercise of this Warrant, 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.

"**Securities Act**" has the meaning specified on the cover of this Warrant, or any similar Federal statute, and the rules and regulations of the 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 Day**" means any day on which the Common Stock is listed or quoted and traded on its Principal Trading Market.

"**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.

"**Transfe**r" has the meaning specified in Section 2.1.

"**Transferee**" has the meaning specified in Section 2.2.

"**Warrantholde**r" has the meaning specified on the cover ofthis Warrant.

"**Warrant Shares**" has the meaning specified on the cover of this Warrant.

"**Weighted Average Price**" means the price determined by dividing (a) the sum of (i) Closing Sales Price of the Common Stock on each Trading Day multiplied by (ii) the trading volume of the Common Stock for each day during the thirty (30) Trading Days ending on the Trading Day traded immediately preceding the day as of which Weighted Average Price is being determined by (b) the total trading volume of the Common. Stock during such thirty (30) Trading Day Period.

12. Miscellaneous.

12.1. Entire Agreement. This Warrant constitutes the entire agreement between the Company and the Warrantholder with respect to the Warrants.

12.2. 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.

12.3. 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.

12.4. 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 12.4:

(a) if to the Company, addressed to:

ITUS Corporation
900 Walt Whitman Road
Melville, New York 11747
Attn: Chief Executive Officer
Facsimile: (631) 549-5974

(b) if to Warrantholder, to the address set forth in the Debt Conversion Agreement, or if to any permitted assignee of Warrantholder, to the address of such Person provided to the Company.

12.5. 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.

12.6. 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.

12.7. 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.

12.8. Copy of Warrant. A copy of this Warrant shall be filed among the records of the Company

12.9. 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.

Date: September 9, 2014

By:/s/ Robert A. Berman
Name: Robert A. Berman
Title: President and CEO

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 ITUS Corporation 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 delivery by (or on behalf of) the Warrantholder of this Exercise Form and the payment of the applicable Exercise Price or exercise of the cashless exercise option shall constitute the Warrantholder's certification to ITUS Corporation that its representations and warranties contained in Section 7 of the Debt Conversion Agreement, including without limitation the representation and warranty that the Warrantholder is an "accredited investor," are true and correct as of the date hereof.

Dated: _____

Signature_____
(Print Name)
(Street Address)
(City) (State) (Zip Code)
Social Security or Tax Identification Number

Signed in the presence of: _____

Exhibit B
Assignment

For value received, the undersigned hereby assigns to _____, the right to purchase _____ of the Warrant Shares evidenced hereby and hereby irrevocably appoints _____ attorney to transfer the Warrant on the books of the within named corporation with full power of substitution in the premises.

Dated:

In the presence of: _____

Print Name _____

Signature_____

Exhibit 21.1

SUBSIDIARIES OF ITUS CORPORATION

Name of Company and Name Doing Business	Jurisdiction of Organization
CopyTele International Ltd.	British Virgin Islands
CopyTele Marketing Inc.	British Virgin Islands
ITUS Patent Acquisition Corporation	State of Delaware
J-Channel Industries Corporation	State of Delaware
Loyalty Conversion Systems Corporation	State of Delaware
Secure Web Conference Corporation	State of Delaware
Encrypted Cellular Communications Corporation	State of Delaware
Auction Acceleration Corp.	State of Delaware
VPN Multicasting Technology Corp.	State of Delaware
VPN Multicasting Technologies LLC	State of Texas

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use of our report included in this Registration Statement on Form S-1 of ITUS Corporation (the "Company") of our report dated January 16, 2014, relating to our audit of the Company's consolidated financial statements as of October 31, 2013 and 2012, and for each of the years then ended, included in the Company's Annual Report on Form 10-K for the year ended October 31, 2013. We also consent to the reference to us under the heading "Experts" in this Registration Statement.

/s/ Haskell & White LLP
HASKELL & WHITE LLP

Irvine, California
December 8, 2014