

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

AMENDMENT NO. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended October 31, 2004

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (No Fee Required) For the transition period from _____ to _____

Commission file number: 0-11254

COPYTELE, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

11-2622630

(State or Other Jurisdiction of Incorporation or Organization)

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
NONE	NONE

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$.01 par value

(Title of Class)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

Aggregate market value of the voting stock (which consists solely of shares of Common Stock) held by non-affiliates of the registrant as of April 30, 2004 (the last business day of the registrant's most recently completed second fiscal quarter), computed by reference to the closing sale price of the registrant's Common Stock on the Over-the-Counter Bulletin Board on such date (\$1.08): \$87,364,065.

On January 10, 2005, the registrant had outstanding 86,794,198 shares of Common Stock, par value \$.01 per share, which is the registrant's only class of common stock.

EXPLANATORY NOTE

We are filing this Amendment No. 1 on Form 10-K/A to our Annual Report on Form 10-K for the year ended October 31, 2004 to correct two typographical errors contained in "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Fiscal Year Ended October 31, 2004 Compared to Fiscal Year Ended October 31, 2003 - Sales - Revenue. For the convenience of the reader, this Amendment No. 1 sets forth the complete text of the Form 10-K as so amended. This Amendment No. 1 does not reflect events that have occurred after the original filing of the Form 10-K or update the information set forth in the Form 10-K subsequent to such original filing. In connection with the filing of this Amendment No. 1, we are including as exhibits currently dated certifications of our chief executive officer and chief financial officer and a currently dated consent letter from our independent registered public accounting firm.

DOCUMENTS INCORPORATED BY REFERENCE:
NONE

Item 1. Business.

Forward-Looking Statements

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

Overview

Our principal operations are the development, production and marketing of multi-functional encryption products that provide information security for domestic and international users over virtually every communications media and the development, production and marketing of thin, high-brightness, flat panel video displays.

Encryption Products

We currently have 14 different products in our line of hardware-based encryption solutions. Our encryption products are multi-functional, hardware based digital encryption systems that provide high-grade voice, fax and data encryption using either the Citadel(TM) CCX encryption cryptographic chip (which is manufactured by the Harris Corporation) or the Triple DES or AES algorithm (algorithms available in the public domain which are used by many U.S. government agencies). In addition, we have developed two software-based security products, one of which uses either the Triple DES or the AES algorithm to encrypt data files and e-mail attachments in both desktop and laptop computers utilizing Microsoft Windows operating systems, and the other of which can encrypt voice and data in cellular and satellite phones, scanners, and printers. We sell our encryption products directly to end-users and through dealers and distributors.

We have developed modifications of our standard products for specific applications. We have developed and are producing several products for use with the satellite communications network of Thuraya Satellite Telecommunications Company ("Thuraya"), a network built by Boeing Satellite Systems, Inc. ("Boeing") that provides communication in Europe, Africa, Russia, the Middle East and Asia. Our products can encrypt voice communication, using a compact encrypted module attached to the Thuraya handset, and automatically encrypt fax communications over the Thuraya network. Additionally, we have developed two products to provide satellite and cellular fax encryption. Our products thus enable the Thuraya network to provide encrypted communications between satellite phones, from satellite phones to desk-based phones, or between desk-based phones.

1

In April 2004, we entered into an agreement with Boeing to provide our encryption products for use over the Thuraya network. Under a September 2004 modification to the agreement, Boeing is the exclusive distributor of seven of our products.

In connection with Boeing becoming the exclusive distributor of some of our products, Boeing authorized us to use its name on our website. Accordingly, customers desiring to purchase such products can find authorized Boeing sales information on the "Encryption Products" page of our website. In January 2005, Boeing introduced, demonstrated and began marketing CopyTele's encryption products to more than 100 Thuraya Service Providers. CopyTele assisted Boeing with such demonstrations. The products introduced included two new encryption products that CopyTele is selling to Boeing, the Thuraya DCS-1400 for voice encryption and the Thuraya USS-900T for fax encryption. These products contain the brand name of Thuraya and their operating controls are in the Arabic language.

We also have developed modifications of our standard equipment for other applications. We have provided modifications of our hardware and software encryption solutions to several large organizations which are evaluating our products in connection with their security requirements. A major U.S. defense contractor has begun to purchase one of our products, which provides landline fax encryption automatically with any standard fax machine, to secure its worldwide fax communication. We have entered into an agreement with another major U.S. company to supply a proof of concept encryption solution utilizing another product that has been configured to interface with that company's satellite global positioning system ("GPS") and data communication fleet management network. Another major U.S. company is planning to sell our line of

encryption products on its website. We are also developing an encryption solution to secure data links between that company's scanners and printers in its multi-functional products.

We have recently received from the U.S. patent office two patent notices of allowance for securing e-mail attachments in four of our products, and for three other products. We are continuing to apply for additional patents for our encryption technology.

Display Technology -----

We are continuing to work on our electron emission display ("Flat CRT") technology. We believe that our unique low voltage and low power Flat CRT display will be an important entry into the rapidly expanding flat panel field for all applications, from cell phones to TV. Flat CRT technology is recognized as one of the most promising candidates to replace the cathode ray tube ("CRT"). CRTs have been highly successful for decades, but are bulky and power hungry. Flat CRT technology, by contrast, permits production of a display that preserves the desirable characteristics of a CRT - including full-color; a wide viewing angle; the ability to operate in severe environmental conditions; and a long operational life - in a much more compact, energy-efficient flat panel display.

2

We have developed a Flat CRT that not only preserves the desirable characteristics of a CRT but also achieves high brightness, has a unique low voltage and power electron emission design and pixel structure with built-in pixel memory, and has long life. Our Flat CRT displays:

- o can be produced in a variety of sizes, permitting their use in many applications from small hand-held devices to large high-definition TV devices;
- o function in a broad environmental range, similar to a CRT, including operating at night or in sunlight and over a large temperature range;
- o have low power consumption;
- o can be viewed from a wide angle, similar to a CRT;
- o have high brightness with video capability;
- o have no picture geometric distortion - the phosphor in each pixel is stimulated individually; and
- o can display both wide-screen and standard TV formats for digital TV and DVD operations.

Currently, liquid crystal displays ("LCDs") are the most commonly used flat panel displays in commercial products. We believe that our display has a number of advantages over LCD displays:

- o No backlight (LCDs require a backlight that results in high power consumption and contains mercury)
- o No thermistor (LCDs require thermistors to control operation at various temperatures)
- o No polarizer (polarizers are required in LCDs)
- o No color filter (LCDs require color filters)
- o Almost hemispherical viewing angle (LCDs have limited viewing angles)

3

- o Higher contrast ratio
- o Faster video response time
- o Operation over a wider range of ambient temperatures
- o Longer life
- o Not affected by ultraviolet light (LCDs contain a liquid crystal which may deteriorate after long exposure to direct sunlight)
- o Safer (leakage of liquid crystals from LCDs may be dangerous)

We have provided our display to a potential customer for evaluation of the display's performance in a product which must operate over a wide ambient temperature range in an outdoor environment. After successfully testing our display, the customer ordered a seed quantity of modules containing our display, to replace LCD modules in our customer's product. We have recently supplied the customer with displays that the customer has installed in its product for field evaluation. However, to be able to supply large quantities of displays to this customer and other potential customers, we have been developing a Flat CRT display based on our thin film technology ("TFT"). We have determined to produce only these displays and we are planning to use these displays to supply this customer's requirements.

We entered into an agreement, in June 2004, with an Asian company, which currently mass produces TFT LCDs, to jointly produce prototypes of two modified TFT color matrix pixel structures for our Flat CRT display based on our high brightness technology. The two color matrix structures, which are components of our displays, are a 7-inch (diagonal) with 1440 x 234 pixels and a 5.5 inch

(diagonal) with 960 x 234 pixels. As part of our TFT color matrix design, each pixel contains memory to achieve high brightness at video rates. We have funded the development of these prototypes, and may enter into a further agreement for commercial production of the structures or the complete color displays. The company has agreed to produce such structures only for us.

In October 2004, we developed, with the assistance of Volga Svet Ltd. ("Volga"), a Russian display company that we have been working with for over seven years, prototype displays containing the modified TFT color matrix structures we received under our agreement with the Asian company. Upon the completion of our evaluation of the structures, we believe that Volga can supply a limited production capability and we are planning to utilize either the Asian company or other TFT LCD production companies to mass produce the display for potential users. The prototype monochrome display Model CTDV-201 has a 5.5 inch (diagonal) with 320 x 234 pixels and has the following specifications.

4

Display Technology:	Proprietary CopyTele Flat Thin High Brightness Video Display
Display Area:	113mm (H) x 87mm(V)
Display Diagonal:	140mm (5.5 inches)
No. of Pixels:	320 x 234
Pixel Pitch:	.318mm x .318mm
Viewing Angle:	Almost hemispherical
Response Time:	10 microseconds

We have also developed another prototype color display Model CTDV-202 having a 5.5-inch diagonal with 960 x 234 pixels, which has the following specifications:

Display Technology:	Proprietary CopyTele Flat Thin High Brightness Video Display
Display Area:	113mm (H) x 87mm(V)
Display Diagonal:	140mm (5.5 inches)
No. of Pixels:	960 x 234
Pixel Pitch:	.106mm x .318mm
Viewing Angle:	Almost hemispherical
Response Time:	10 microseconds

We are also completing the assembly, with the assistance of Volga, of another prototype display containing the modified TFT color matrix structures we received under our agreement with the Asian company. The prototype color display has a 7.0 inch (diagonal) with 1440 x 234 pixels, with the following specifications:

Display Technology:	Proprietary CopyTele Flat Thin High Brightness Video Display
Display Area:	154mm (H) x 87mm(V)
Display Diagonal:	178mm (7.0 inches)
No. of Pixels:	1440 x 234
Pixel Pitch:	.107mm x .372mm
Viewing Angle:	Almost hemispherical
Response Time:	10 microseconds

5

To activate the red, green and blue phosphors contained in the modified TFT color matrix pixel structure in our displays, we are using both our current electron emission technology and a new nanotube technology we are developing in cooperation with a U.S. company. The new technology consists of a unique array of low voltage controllable nanotubes for electron emission. These nanotubes are extremely small carbon elements, approximately 2,500 times thinner than the width of a human hair, that emit electrons under controllable conditions. In cooperation with that company, we have produced experimental design configurations which demonstrate the feasibility of the nanotube technology meeting our design requirements. We have the exclusive right to use this company's nanotube technology for display applications.

We have recently received, from the U.S. patent office, patents for three variations of our video display technology and a notice of allowance of the claims contained in our patent application for one other variation of our video display technology. We are continuing to apply for additional patents for our video display technology.

We were incorporated on November 5, 1982 under the laws of the State of Delaware. Our principal executive offices are located at 900 Walt Whitman Road, Melville, New York 11747, our telephone number is 631-549-5900, and our Internet website address is www.copytele.com. We make available free of charge on or

through our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements on Schedule 14A, and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the Securities and Exchange Commission.

General Risks and Uncertainties

Our business involves a high degree of risk and uncertainty, including, but not limited to, the following risks and uncertainties:

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

We have had net losses and negative cash flows from operations in each year since our inception, and we may continue to incur substantial losses and experience substantial negative cash flows from operations. Although payments from Futaba Corporation ("Futaba") of Japan, under an agreement with Futaba, provided substantial cash from operations during the year ended October 31, 2002, since the agreement with Futaba terminated in June 2002, we will not receive any further payments under this agreement.

6

We have incurred substantial costs and expenses in developing our encryption and flat panel display technologies and in our efforts to produce commercially marketable products incorporating our technology. We have had limited sales of products to support our operations from inception through October 31, 2004. We have set forth below our net losses, research and development expenses and net cash used in operations for the three fiscal years ended October 31, 2004:

	Fiscal Years Ended October 31,		
	2004	2003	2002
Net loss.....	\$ 3,360,655	\$ 3,114,411	\$ 3,285,240
Research and development expenses.....	2,164,427	1,807,742	1,625,974
Net cash used in operations.....	1,025,122	958,501	431,471

- o We may need additional funding in the future which may not be available on acceptable terms and, if available, may result in dilution to our stockholders, and our auditors have issued a "going concern" audit opinion.

We anticipate that, if cash generated from operations is insufficient to satisfy our requirements, we will require additional funding to continue our research and development activities and market our products. The auditor's report on our financial statements as of October 31, 2004 states that the net loss incurred during the year ended October 31, 2004, our accumulated deficit as of that date, and the other factors described in Note 1 to the Financial Statements raise substantial doubt about our ability to continue as a going concern. The auditor's report on our financial statements for the years ended October 31, 2003 and 2002 contained a similar statement. Our financial statements have been prepared assuming we will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

We believe that our existing cash and accounts receivable, together with cash flows from expected sales of encryption products and flat panel displays, and other potential sources of cash flows, will be sufficient to enable us to continue in operation until at least the end of the first quarter of fiscal 2006. We anticipate that, thereafter, we will require additional funds to continue marketing, production, and research and development activities, and we will require outside funding if cash generated from operations is insufficient to satisfy our liquidity requirements. However, our projections of future cash needs and cash flows may differ from actual results. If current cash and cash that may be generated from operations are insufficient to satisfy our liquidity requirements, we may seek to sell debt or equity securities or to obtain a line of credit prior to the first quarter of fiscal 2006. The sale of additional equity securities or convertible debt could result in dilution to our stockholders. We can give no assurance that we will be able to generate adequate funds from operations, that funds will be available to us from debt or equity financings or that, if available, we will be able to obtain such funds on favorable terms and conditions. We currently have no arrangements with respect to additional financing.

7

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

We are engaged in two principal operations: (i) the development, production and marketing of thin high-brightness flat panel video displays and (ii) the development, production and marketing of multi-functional encryption products that provide information security for domestic and international users over virtually every communications media. We have only recently started to produce monochrome versions of our high-brightness flat panel displays and our encryption products are only in their initial stages of commercial production. Our investments in research and development are considerable. Our ability to generate sufficient revenues to support our operations in the future or to generate profits will depend upon numerous factors, many of which are beyond our control, including:

- o our ability to successfully market our line of thin high-brightness

flat panel video displays and encryption products;

- o the capability of Volga to produce thin high-brightness monochrome video displays and supply them to us;
- o our ability to jointly develop with Volga and produce a full-color video display;
- o our ability to develop and produce displays using controllable nanotubes and modified TFT technology;
- o our production capabilities and those of our suppliers as required for the production of our encryption products;
- o long-term performance of our products;
- o the capability of our dealers and distributors to adequately service our encryption products;
- o our ability to maintain an acceptable pricing level to end-users for both our encryption and display products;
- o the ability of suppliers to meet our requirements and schedule;
- o our ability to successfully develop other new products under development;
- o rapidly changing consumer preferences;
- o the possible development of competitive products that could render our products obsolete or unmarketable;
- o our future negotiations with Volga with respect to payments and other arrangements under our Joint Cooperation Agreement with Volga.

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

8

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

Our future success is dependent on our ability to hire, retain and motivate highly qualified personnel. In particular, our success depends on the continued efforts of our Chief Executive Officer, Denis A. Krusos, and our President, Frank J. DiSanto, who founded our company in 1982 and are engaged in the management and operations of our business, including all aspects of the development, production and marketing of our encryption products and flat panel display technology. In addition, Messrs. Krusos and DiSanto, as well as our other skilled management and technical personnel, are important to our future business and financial arrangements. The loss of the services of any such persons could have a material adverse effect on our business and operating results.

- o The small size of our accounting and financial staff has exposed us, and may expose us in the future, to risks relating to our internal control, and may limit our growth.

The small size of our accounting and financial staff has exposed us to risks relating to our internal control over financial reporting. In particular, as discussed under Item 9A, Controls and Procedures, in December 2004, we discovered that an employee in our accounting staff had defrauded us of approximately \$189,000 (of which approximately \$4,000 we believe was replaced) during fiscal 2004 and the first month of fiscal 2005 and approximately \$28,000 during the period from fiscal 2001 through fiscal 2003. While we have recovered approximately \$110,000 of such loss through insurance proceeds and will seek additional recoveries from other parties, and we have taken steps to improve our internal controls to prevent such activity in the future, there can be no assurance that our controls and procedures will prevent all errors or fraud, or that any future such losses would be insured or otherwise recoverable. We may need to recruit additional staff to improve our internal controls or to support growth of our business, the costs of which would reduce the funds available for research and development and marketing activities.

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

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

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

Our stock fits the definition of a penny stock. The SEC rules regarding penny stocks may have the effect of reducing trading activity in our common stock and making it more difficult for investors to sell. The rules require a broker to deliver a risk disclosure document that provides information about

penny stocks and the nature and level of risks in the penny stock market. The broker must also give bid and offer quotations and broker and salesperson compensation information to the customer orally or in writing prior to effecting a transaction and in writing with the confirmation. The SEC rules also require a broker 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. These requirements may result in a lower trading volume of our common stock and lower trading prices.

Products

Encryption Products

We produce and market a line of high-grade, hardware and software based encryption products that provide security for voice, fax and data transmissions utilizing cellular, satellite, digital and analog communication media. Our encryption technology products encode information through a complex mathematical formula called an algorithm. The algorithm requires a secret "key" to both encrypt and decrypt information. Only the secret key that is used to encrypt the information can be used to decrypt the information. Our products automatically generate new secret keys electronically with each call. When communicating encrypted information over a communications media, all of our products generally are required at both the sending and receiving end.

The features common to our hardware communication products are as follows:

- o Simple user operation.
- o Every session uses a new secret encryption key to both encrypt and decrypt information.
- o Use of a hardware or software random number generator as part of the secret key system.
- o Encryption for point-to-point communication using one of our products at each end.
- o Export approval received from the U.S. Department of Commerce using the Citadel(TM) CCX from Harris Corporation or Triple DES or AES algorithms and a minimum 128-bit encryption key length.
- o Small, lightweight and enclosed in a plastic case.
- o Low power consumption.

A summary of our encryption products, and additional features of each, is as follows:

<TABLE>
<CAPTION>

Product	Features			Comments
	Voice	Fax	Data	
<S> DCS-1400*	<C> X	<C>	<C>	<C> Compact, lightweight, portable encryption terminal for securing voice communications when connected to data capable digital cellular or satellite telephones.
Thuraya DCS-1400 **, ***	X			Secure voice communication for use with Thuraya satellite telephones. Compact, lightweight, portable encryption terminal
DCS-1200 *, ***	X		X	Secure voice and data communications when connected to data capable digital cellular or satellite telephones or virtually any PBX phone.
DCS-1400D **, ***	X			Integrated encryption docker for the Thuraya handset.
USS-900 *	X	X	X	Compact and portable high-grade security hardware system capable of encrypting voice, fax, data and data storage when combined with a telephone, fax machine, or computer.
USS-900 Narrowband *	X	X	X	Voice, fax and data option for low-speed PSTN communication. Compatible with DCS-1200 & DCS-1400.
USS-900T **	X			Secure fax unit for direct connection to the Thuraya handset

and an analog fax machine. Enhanced
Thuraya fax speed.

Thuraya USS-900T **, ***	X		Secure Thuraya fax communication. Encrypting fax unit for direct connection to the Thuraya handset and an analog fax machine. Enhanced Thuraya fax speed.
USS-900TL **	X		Connect to analog fax machines and PSTN line. Compatible with the USS-900-T.
USS-900WF **	X		Secure low-speed fax for other satellite and cellular networks (Inmarsat, Globalstar, etc).
USS-900WFL **	X		Connect to analog fax machines and PSTN line. Compatible with the USS-900-WF.
USS-900AF AutoFax	X		Compact high-grade security hardware system automatically encrypting fax communication when connected to any G-3 fax machine. Receive both secure and clear fax messages automatically.
STS-1500	X		Easy to use secure voice teleconferencing system that provides simultaneous encrypted voice communications with up to 5 locations.
USS-900 Security Software		X	Protect individual files or entire folders with just a few clicks of the mouse. Send and receive encrypted e-mail attachments. Restrict unauthorized computer access by preventing the Windows Operating System from initiating without proper identification.
ULP-1		X	Easy-to-use hardware based encryption solution. Simply plug it into laptop computers via the use of a PCMCIA card. Protect the integrity of your computer by ensuring that your private and confidential information stays that way.
DCS-1800 Encryption Software	X	X	Developed for cellular and satellite phone manufacturers for easy inclusion of the DCS- 1800 Security Software directly into the telephone, thus providing the consumer with an operator friendly self-contained secure wireless phone for voice and data communications.

* Sold by Boeing

** Sold exclusively by Boeing

*** Sold by Boeing to Thuraya Services Providers under the Thuraya brand name.

</TABLE>

New Technologies Under Development

Flat Panel Video Display Technology

During 2004, we continued to pursue our efforts to develop new technologies for color, video flat panel displays.

We are further developing our display technology to incorporate our modified matrix TFT pixel structure (which is based on our high brightness Flat CRT technology and which we jointly produce with an Asian company that currently mass produces TFT LCDs) and drivers of LCDs into our displays, so that our displays may be produced by facilities currently producing LCDs. We have made prototypes of a 5.5 inch (diagonal) display, with the assistance of Volga, containing our modified TFT color matrix structure and having 320 x 234 and 960 x 234 pixels. We have also received color matrix structures from the Asian company and are completing the assembly, with the assistance of Volga, of a prototype display having a 7.0 inch (diagonal) with 1440 x 234 pixels. We have incorporated in our prototype displays low temperature vacuum sealing and the use of low voltages and power to conform to the requirements of our modified TFT color matrix structures. Our prototypes utilize voltages comparable to a TFT LCD

and contain blue-green or red, green and blue phosphors to operate at these low voltages.

We are continuing to further develop these Flat CRT displays to optimize the low temperature vacuum sealing technologies and driver electronics for production purposes. Our Flat CRT contains no backlight, color filter or polarizer required in LCD displays which represent the major costs in producing LCDs.

We are also developing, with the assistance of a U.S. company, a unique nanotube technology for another electron emission that we are planning to use in our Flat CRT. To conform with our color matrix structures, our nanotube design utilizes low voltages and no focusing elements. The use of nanotube electron emission reduces the power consumption of our display and can be incorporated in hand-held and HDTV television products. The new technology consists of a unique array of low voltage controllable nanotubes for electron emission. The nanotubes are extremely small carbon elements, approximately 2,500 times thinner than the width of a human hair, that emit electrons under controllable conditions.

12

In addition, we are developing a unique spacer technology which would support the display glass substrates under vacuum. Our color matrix structures contain no backlight, color filter or polarizer, and use a chip on glass ("COG") matrix design, so that the overall display thickness is expected to be approximately 1/16 of an inch, thinner than any LCD. There can be no assurance that we can develop or produce color video displays or displays using modified TFT technology or that we can produce larger display sizes or greater quantities using such technology.

We are also utilizing our E-Paper(TM) technology in connection with development of our unique nanotube electron emission technology. We are currently investigating the possible licensing of our E-Paper(TM) display technology and patents. We can give no assurance that we will license our technology and patents.

Encryption Technology

We are continually engaged in the development of additional capabilities for our current product lines as well as the development of new products to meet current and anticipated customer applications.

We are developing an encryption solution for encrypting data and GPS information used in the fleet management of vehicles. We have made prototypes to demonstrate the feasibility of our encryption solution. We are also developing an encryption solution to secure data links between scanners and printers contained in one company's multi-functional products.

We are continuing the process of obtaining U.S. federal government certification for our encryption products. To obtain certification, we are modifying our software and other technology to conform to the requirements of the government's published standards. The certification would attest that our products meet such standards and that the features described in our specification sheets are actually implemented in our products.

Production

Flat Panel Video Display Products

Volga has produced, under our Joint Cooperation Agreement, monochrome 5-inch (diagonal) displays having 320 x 240 pixels. Volga used sources for the required materials and components located in Russia, U.S., Europe, and Asia. The displays produced by Volga were used to supply modules for evaluation by our current customer. Also, the displays were used to determine the design and specifications to modify the TFT color pixel structures supplied by the Asian company. We are, with the assistance of Volga, producing the displays containing the TFT color pixel structures. Upon the completion of our evaluation of the TFT color based pixel structures, we believe that Volga can supply a limited production capability and we are planning to utilize either the Asian company or other TFT LCD production companies to mass produce the display for potential users. There is no assurance that we can produce the displays or that we can make suitable production arrangements with other companies.

13

Encryption Products

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

Our production contractors produce and visually inspect the completed circuit boards. We perform final assembly, including installation of the software, by enclosing the completed printed circuit boards into the product and

performing functionality testing of all units at our premises at Melville, New York prior to shipment to our customers. We test our finished products using internally developed product assurance testing procedures. We currently produce our line of products in quantities to meet marketing requirements.

Marketing and Sales

Flat Panel Video Display Products

We are continuing to pursue marketing opportunities for our display technology. We have utilized models of our monochrome 5-inch (diagonal) display to demonstrate the capabilities of our display and its advantages over LCDs.

We have continued to work with one company to develop a plug-in module of our 5-inch (diagonal) display to replace the LCDs in that company's product. Our display passed the company's operating environment requirements and, as a result, we have received a purchase order to provide the customer with a seed quantity of such modules. Volga has produced the modules to meet part of this purchaser's requirements. We are planning to utilize our modified TFT color matrix pixel structures based displays for supplying the current customer requirements and for other applications we are pursuing.

Some of these applications would require large size displays that include the capability to provide a wide-screen or standard TV format for TV and DVD operation. Our current Asian supplier is in the process of expanding its facilities to produce larger size displays. Applications that we are pursuing for incorporation of our displays include both outdoor and indoor informational displays such as those located in parking meters and automobiles.

14

Encryption Products

During the past year we have continued to direct our marketing efforts to participate in the security opportunities created by the U.S. Department of Homeland Security, by the enactment of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), and by the Defense Department. HIPAA requires certain privacy protection for medical records and other health care information for individuals. We have agreements with a number of large companies to provide them with both our hardware and software solutions to meet their security requirements.

We have a long term agreement with Boeing, which is distributing our line of encryption products. These include voice, fax and data products on both an exclusive and non-exclusive basis. In January 2005, Boeing introduced, demonstrated and began marketing CopyTele's encryption products to more than 100 Thuraya Service Providers. CopyTele assisted Boeing with such demonstrations. We have an agreement with a major defense contractor to supply its world-wide fax security requirements. Other large organizations are evaluating our products in connection with their security requirements, including one company that is evaluating an interface with its satellite GPS and data communication fleet management network and another company that is evaluating an encryption solution to secure data links between scanners and printers in its multi-functional products. The latter company is planning to sell our line of encryption products on its website.

Through these efforts, we have recently begun receiving initial orders and requests from city, state, U.S. government agencies and financial institutions. We expect that these orders could result in requirements for larger quantities of units for their security applications.

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

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

Customers

During fiscal 2004 we recognized approximately \$300,000 in revenue from the Boeing Company, or approximately 61% of total net revenue, and approximately \$93,000 in revenue from Outfitter Satellite, Inc., or approximately 19% of total net revenue. All of such revenue was in our Encryption Products and Services Segment. During fiscal 2003 we recognized approximately \$60,000 and \$31,000, respectively, in revenue from two customers in the Encryption and Services Segment, or approximately 25% and 13% of total net revenue. During fiscal 2002 we recognized approximately \$4,542,000 in revenue from Futaba under an agreement with Futaba, or approximately 88% of total revenue.

15

Competition

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

resources significantly greater than ours.

There are several other companies that sell hardware and/or software encryption products and there are many large companies that sell flat panel displays. We believe, however, that the technology contained in our encryption products and our flat panel displays have features that distinguish them from the products being sold by our competitors. The encryption security and flat panel display markets are likely to be characterized by rapid advances in technology and the continuing introduction of new products that could render our products obsolete or non-competitive. We cannot give you any assurance that we will be able to compete successfully in the market for our encryption products and our flat panel displays.

Patents

We have received patents from the United States and certain foreign patent offices, expiring at various dates between 2005 and 2022. We have also filed or are planning to file patent applications for our video flat panel display technologies currently under development, and for our encryption technologies.

We have recently received from the U.S. patent office patents for three variations of our video display technology and a notice of allowance of the claims contained in our patent application for one variation of our video display technology. We have also received patents related to the design, structure and method of construction of the E-Paper(TM) flat panel display, methods of operating the display, particle generation, applications using the E-Paper(TM) flat panel display, and for our solid state and thin film video color display. We have recently also received two patents for certain of our encryption technology.

We cannot assure you that patents will be issued for any of our pending applications. In addition, we cannot assure you that any patents held or obtained will sufficiently protect us against our competitors. We are not aware that any of our encryption products are infringing upon the patents of others. We cannot assure you, however, that other products developed by us, if any, will not infringe upon the patents of others, or that we will not have to obtain licenses under the patents of others, although we are not aware of any such infringement at this time.

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

16

Research and Development

Research and development expenses were approximately \$2,164,000, \$1,808,000, and \$1,626,000 for the fiscal years ended October 31, 2004, 2003 and 2002, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" below and our Financial Statements.

Employees and Consultants

We had 23 full-time employees and 22 consultants as of October 31, 2004. Twenty of these individuals, including our Chairman of the Board and our President, are engaged in research and development. Their backgrounds include expertise in physics, chemistry, optics and electronics. Nineteen individuals are engaged in marketing and the remaining individuals are engaged in administrative and financial functions for us. None of our employees is represented by a labor organization or union.

Financial Information About Segments and Geographical Areas

See our Financial Statements

Item 2. Properties.

We lease approximately 12,000 square feet of office and laboratory research facilities at 900 Walt Whitman Road, Melville, New York (our principal offices) from an unrelated party pursuant to a lease that expires November 30, 2008. Our base rent is approximately \$255,000 per annum with a 3% annual increase and an escalation clause for increases in certain operating costs. We have the right to cancel a portion or the entire lease as of May 31, 2006. This lease does not contain provisions for its renewal and management will continue to evaluate the future adequacy of this facility. We anticipate securing a lease renewal for this facility at the end of the lease term if we determine to remain there. See Note 11 to our Financial Statements.

We believe that the facilities described above are adequate for our current requirements.

Item 3. Legal Proceedings.

We are not a party to any pending legal proceedings.

17

Item 4. Submission of Matters to a Vote of Security Holders.

At our Annual Meeting of Stockholders, held on October 28, 2004, four directors were elected and the selection of Grant Thornton LLP, independent registered public accountants, as our independent auditors for the fiscal year ending October 31, 2004 was ratified. The following is a tabulation of the voting with respect to the foregoing matters:

(a) Election of Directors:

Nominee -----	For ---	Withheld -----
Denis A. Krusos	78,409,567	575,046
Frank J. DiSanto	78,409,767	574,846
Henry P. Herms	78,413,517	571,096
George P. Larounis	78,578,882	405,731

(b) Ratification of selection of Grant Thornton LLP as independent auditors for the fiscal year ending October 31, 2004:

For ---	Against -----	Abstain -----
78,734,151	229,250	21,212

18

PART II

Item 5. Market for the Registrant's Common Equity and

Related Stockholder Matters.

Our common stock has traded on the Over-the-Counter Bulletin Board, under the symbol "COPY", since March 27, 2003. Prior to that date our common stock traded on The Nasdaq Stock Market, Inc. On August 2, 2002 our listing was transferred from the The Nasdaq National Market to The Nasdaq SmallCap Market. The high and low sales prices as reported by the Over-the-Counter Bulletin Board and The Nasdaq Stock Market, Inc. for each quarterly fiscal period during our fiscal years ended October 31, 2003 and 2004 have been as follows:

Fiscal Period -----	High -----	Low -----
1st quarter 2003	\$0.35	\$0.15
2nd quarter 2003	0.41	0.12
3rd quarter 2003	0.75	0.22
4th quarter 2003	0.88	0.51
1st quarter 2004	0.63	0.31
2nd quarter 2004	1.32	0.26
3rd quarter 2004	1.10	0.55
4th quarter 2004	\$1.27	\$0.58

As of January 10, 2005, the approximate number of record holders of our common stock was 1,400 and the closing price of our common stock was \$0.86 per share.

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.

19

Item 6. Selected Financial Data.

The following selected financial data has been derived from our audited Financial Statements and should be read in conjunction with those statements, and the notes related thereto, which are included in this report.

<TABLE>
<CAPTION>

	As of and for the fiscal year ended October 31,				
	2004	2003	2002	2001	2000
Revenue					
<S>	<C>	<C>	<C>	<C>	<C>
Sales, net	\$494,462	\$244,221	\$645,027	\$732,435	\$1,471,998
Collaborative agreement	--	--	4,541,667	958,333	--
Total revenue	494,462	244,221	5,186,694	1,690,768	1,471,998
Gross Profit	318,350	68,277	3,315,636	993,129	746,560
Research and Development Expenses	2,164,427	1,807,742	1,625,974	2,324,979	2,732,229
Selling, General and Administrative Expenses	1,518,911	1,379,614	2,177,608	2,272,386	3,099,483

Impairment Loss on Commercial Trade Barter Credits	--	--	2,820,800	--	--
Interest Income	4,333	4,668	23,506	32,279	120,979
Net Loss	(3,360,655)	(3,114,411)	(3,285,240)	(3,571,957)	(4,964,173)
Net Loss Per Share of Common Stock - Basic and Diluted	(\$.04)	(\$.04)	(\$.05)	(\$.06)	(\$.08)
Total Assets	2,316,050	2,330,491	2,731,509	6,562,403	6,894,501
Long Term Obligations	--	--	--	--	--
Shareholders' Equity	1,872,930	1,988,206	2,317,490	4,166,526	5,557,599
Cash Dividends Per Share of Common Stock	--	--	--	--	--

</TABLE>

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

Forward-Looking Statements

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

20

General

Our principal operations are the development, production and marketing of multi-functional hardware and software based encryption products that provide information security for domestic and international users over virtually every communications media and the development, production and marketing of thin, high brightness, flat panel video displays.

We currently have 14 different products in our line of hardware-based encryption solutions. Our encryption products are multi-functional, hardware based digital encryption systems that provide high-grade voice, fax and data encryption using either the Citadel(TM) CCX encryption cryptographic chip (which is manufactured by the Harris Corporation) or the Triple DES or AES algorithm (algorithms available in the public domain which are used by many U.S. government agencies). In addition, we have developed two software-based security products, one of which uses either the Triple DES or the AES algorithm to encrypt data files and e-mail attachments in both desktop and laptop computers utilizing Microsoft Windows operating systems, and the other of which can encrypt voice and data in cellular and satellite phones, scanners, and printers. We sell our encryption products directly to end-users and through dealers and distributors.

We have developed modifications of our standard products for specific applications. We have developed and are producing several products for use with the satellite communications network of Thuraya Satellite Telecommunications Company ("Thuraya"), a network built by Boeing Satellite Systems, Inc. ("Boeing") that provides communication in Europe, Africa, Russia, the Middle East and Asia. Our products can encrypt voice communication, using a compact encrypted module attached to the Thuraya handset, and automatically encrypt fax communications over the Thuraya network. Additionally, we have developed two products to provide satellite and cellular fax encryption. Our products thus enable the Thuraya network to provide encrypted communications between satellite phones, from satellite phones to desk-based phones, or between desk-based phones.

In April 2004, we entered into an agreement with Boeing to provide our encryption products for use over the Thuraya network. Under a September 2004 modification to the agreement, Boeing is the exclusive distributor of seven of our products.

In connection with Boeing becoming the exclusive distributor of some of our products, Boeing authorized us to use its name on our website. Accordingly, customers desiring to purchase such products can find authorized Boeing sales information on the "Encryption Products" page of our website. In January 2005, Boeing introduced, demonstrated and began marketing CopyTele's encryption products to more than 100 Thuraya Service Providers. CopyTele assisted Boeing with such demonstrations. The products introduced included two new encryption products that CopyTele is selling to Boeing, the Thuraya DCS-1400 for voice encryption and the Thuraya USS-900T for fax encryption. These products contain

the brand name of Thuraya and their operating controls are in the Arabic language.

21

We also have developed modifications of our standard equipment for other applications. We have provided modifications of our hardware and software encryption solutions to several large organizations which are evaluating our products in connection with their security requirements. A major U.S. defense contractor has begun to purchase one of our products, which provides landline fax encryption automatically with any standard fax machine, to secure its worldwide fax communication. We have entered into an agreement with another major U.S. company to supply a proof of concept encryption solution utilizing another product that has been configured to interface with that company's satellite global positioning system ("GPS") and data communication fleet management network. Another major U.S. company is planning to sell our line of encryption products on its website. We are also developing an encryption solution to secure data links between that company's scanners and printers in its multi-functional products.

We are also continuing our research and development work on our electron emission display ("Flat CRT") technology. We have provided our display to a potential customer for evaluation of the display's performance in a product which must operate over a wide ambient temperature range in an outdoor environment. After successfully testing our display, the customer ordered a seed quantity of modules containing our display, to replace liquid crystal display ("LCD") modules in our customer's product. We have recently supplied the customer with displays that the customer has installed in its product for field evaluation. However, to be able to supply large quantities of displays to this customer and other potential customers, we have been developing a Flat CRT display based on our thin film technology ("TFT"). We have determined to produce only these displays and we are planning to use these displays to supply this customer's requirements.

We entered into an agreement, in June 2004, with an Asian company, which currently mass produces TFT LCDs, to jointly produce prototypes of two modified TFT color matrix pixel structures for our Flat CRT display based on our high brightness technology. The two color matrix structures, which are components of our displays, are a 7-inch (diagonal) with 1440 x 234 pixels and a 5.5 inch (diagonal) with 960 x 234 pixels. As part of our TFT color matrix design, each pixel contains memory to achieve high brightness at video rates. We have funded the development of these prototypes, and may enter into a further agreement for commercial production of the structures or the complete color displays. The company has agreed to produce such structures only for us.

In October 2004, we developed, with the assistance of Volga Svet Ltd. ("Volga"), a Russian display company that we have been working with for over seven years, prototype displays containing the modified TFT color matrix structures we received under our agreement with the Asian company. The prototype displays we have assembled are the 5.5 inch (diagonal) monochrome Model CTDV-201 with 320 x 234 pixels and the 5.5 inch (diagonal) color Model CTDV-202 with 960 x 234 pixels. We are also completing the assembly of a 7.0 inch (diagonal) prototype color display containing the modified TFT color matrix structures with 1,440 x 234 pixels. Upon the completion of our evaluation of the structures, we believe that Volga can supply a limited production capability and we are planning to utilize either the Asian company or other TFT LCD production companies to mass produce the display for potential users.

22

To activate the red, green and blue phosphors contained in the modified TFT color matrix pixel structure in our displays, we are using both our current electron emission technology and a new nanotube technology we are developing in cooperation with a U.S. company. The new technology consists of a unique array of low voltage controllable nanotubes for electron emission. These nanotubes are extremely small carbon elements, approximately 2,500 times thinner than the width of a human hair, that emit electrons under controllable conditions. In cooperation with that company, we have produced experimental design configurations which demonstrate the feasibility of the nanotube technology meeting our design requirements. We have the exclusive right to use this company's nanotube technology for display applications.

There can be no assurance that we can produce commercial quality displays, that we can produce such displays in commercial quantities, that we can successfully market our displays, or of the revenue we might derive from sales of our displays. See "Business - General Risks and Uncertainties".

Our operations and the achievement of our objectives in marketing, production, and research and development are dependent upon an adequate cash flow. Accordingly, in monitoring our financial position and results of operations, particular attention is given to cash and accounts receivable balances and cash flows from operations. Since our initial public offering, our cash flows have been primarily generated through the sales of common stock in private placements and upon exercise of stock options. Since 1999 we have also generated cash flows from sales of our encryption products. In an effort to generate sales, we have marketed our encryption products directly to U.S. and international distributors, dealers and original equipment manufacturers that market our encryption products and to end-users. We have also been working with several large organizations to provide them with both our hardware and software encryption solutions for them to evaluate whether the solutions meet their security requirements and have begun supplying several major U.S. companies with our encryption products. We have also begun to market our flat panel video display products to potential purchasers for incorporation into their products. We anticipate that current cash on hand, cash generated from operations, and cash generated from the exercise of employee options will

be adequate to fund our operations at least through the end of the first quarter of fiscal 2006.

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

23

Critical Accounting Policies

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

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

Revenue Recognition

Sales

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

Collaborative Agreement

A \$2.5 million payment received from Futaba Corporation ("Futaba") of Japan in June 2001, pursuant to an agreement with Futaba, has been recognized ratably over the period between June 2001 and June 2002, the contractually defined one-year period of our commitment under this agreement. A subsequent \$3 million payment received from Futaba under this agreement in January 2002 has been recognized ratably over the remainder of the one-year period.

Sales Returns

Revenues are recorded net of estimated sales returns.

Inventories

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

24

Valuation of Long-Lived Assets

We assess the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include a significant underperformance relative to expected historical or projected future operating results and cash flows, a significant change in the manner of the use of the asset or a significant negative industry or economic trend. When management determines that the carrying value of long-lived asset may not be recoverable based upon the existence of one or more of the above indicators of impairment, the carrying amount of the asset would be written down to fair value based upon the present value of estimated future cash flows, to reflect the impairment.

During the year ended October 31, 2002, we recognized an impairment loss in the amount of approximately \$2,821,000 in connection with unused commercial trade barter credits. These trade credits may be redeemed to reduce the cost of advertising as well as other products and services. To utilize these barter credits in exchange for advertising and purchase discounts, we must pay between 65-70% of the transaction value in cash. Because our anticipated cash flow was negatively affected by the termination of the agreement with Futaba, our ability to make such payments and thereby utilize the barter credits is uncertain. Such impairment loss is the only impairment of long-lived assets recorded in the fiscal years ended October 31, 2004, 2003 and 2002.

Stock Based Compensation

We account for stock options granted to employees using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25 "Accounting for Stock Issued to Employees" and comply with the disclosure provision of Statement of Financial Accounting Standards ("SFAS") No. 123 "Accounting for Stock Based Compensation" and SFAS No. 148 "Accounting for Stock Based Compensation - Transition and Disclosure, an amendment of SFAS No. 123" ("SFAS No. 148"), effective February 1, 2003. If we were to include the cost of employee stock option compensation in the financial statements, our net loss for the fiscal years ended October 31, 2004, 2003 and 2002 would have increased by approximately \$2,909,000, \$889,000 and \$283,000, respectively, based on the fair value of the stock options granted to employees. See "- Impact of Recent Accounting Pronouncements"

25

Results of Operations

Fiscal Year Ended October 31, 2004 Compared to Fiscal Year Ended
October 31, 2003

Sales

Revenue. Revenue from sales increased by approximately \$250,000 in fiscal 2004, to approximately \$494,000, as compared to approximately \$244,000 in fiscal 2003. All revenue during both periods was from encryption products and services. The increase in sales was principally due to an increase in unit sales of our encryption products. Our encryption sales have been limited and are sensitive to individual large transactions. We believe that changes in sales between periods generally represent the nature of the early stage of our product and sales channel development.

Gross Profit. Gross profit from sales of encryption products and services increased by approximately \$250,000 in fiscal 2004, to approximately \$318,000, as compared to approximately \$68,000 in fiscal 2003. The increase in gross profit was primarily due to the increase in revenue, to higher gross profit percentages on certain transactions as compared to the prior-year period, and the effect of a write down of Magicom inventory in fiscal 2003 of approximately \$53,000. Gross profit as a percent of revenue increased to approximately 64% in fiscal 2004, as compared to approximately 28% in fiscal 2003. Because of the limited number of transactions during each of the periods, gross profit percentages are sensitive to individual transactions.

Collaborative Agreement

Revenue. We recognized no collaborative agreement revenue in fiscal 2004 and fiscal 2003.

Research and Development Expenses

Research and development expenses increased by approximately \$356,000 in fiscal 2004, to approximately \$2,164,000, from approximately \$1,808,000 in fiscal 2003. The increase in research and development expenses was principally due to an increase in employee compensation and related costs of approximately \$126,000 and an increase in outside research and development of approximately \$209,000.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by approximately \$139,000 to approximately \$1,519,000 in fiscal 2004 from approximately \$1,380,000 in fiscal 2003. The increase in selling, general and administrative expenses was principally due to an increase in consulting expense of approximately \$198,000, an increase in employee compensation and related costs of approximately \$116,000, an increase in shareholder relations expense of approximately \$31,000, an increase in professional fees of approximately \$24,000, and a charge to expense of approximately \$75,000 in fiscal 2004 related to a theft by a former employee (see "- Investigation and Recovery Efforts Regarding Misappropriated Funds"), offset by a decrease in the provision for bad debts of approximately \$278,000 and a decrease in advertising expense of approximately \$34,000. The decrease in the provision for bad debts of approximately \$278,000 resulted from a provision for bad debts in the prior year of approximately \$205,000 and reversal in the current period of previously reserved amounts of approximately \$73,000 due to a partial collection of the outstanding receivable to which the provision relates.

26

Interest Income

Interest income was approximately \$4,000 in fiscal 2004, compared to approximately \$5,000 in fiscal 2003.

Sales

Revenue. Revenue from sales of encryption products and services decreased by approximately \$401,000 in fiscal 2003, to approximately \$244,000, as compared to approximately \$645,000 in fiscal 2002. The decrease in sales was due to lower unit sales of our encryption products. Our encryption sales have been limited and are sensitive to individual large transactions. We believe that changes in sales between periods generally represent the nature of the early stage of our product and sales channel development.

Gross Profit. Gross profit from sales of encryption products and services decreased by approximately \$150,000 in fiscal 2003, to approximately \$68,000, as compared to approximately \$218,000 in fiscal 2002. The decrease in gross profit was primarily due to the decrease in revenue. Gross profit reflects a write down of Magicom inventory in fiscal 2003 of approximately \$53,000 and a provision for slow moving inventory relating to the USS-900 in fiscal 2002 of approximately \$100,000. Gross profit as a percent of revenue decreased to approximately 28% in fiscal 2003, as compared to approximately 34% in fiscal 2002.

Collaborative Agreement

Revenue. We recognized no collaborative agreement revenue in fiscal 2003, as compared to approximately \$4,542,000 in fiscal 2002. All collaborative agreement revenue was revenue received from Futaba under an agreement with Futaba. We recognized payments received from Futaba as income ratably over the contractually defined one-year period of our commitment under this agreement. Since the agreement with Futaba terminated in June 2002, we will not receive any further payments under this agreement.

Gross Profit. We recognized no gross profit from collaborative agreement in fiscal 2003, as compared to approximately \$3,098,000 in fiscal 2002. Gross profit from collaborative agreement in fiscal 2002 was net of cost of revenue of approximately \$1,444,000, consisting of research and development costs relating to display technology, including cost of revenue related to our agreement with Volga of approximately \$1,194,000. Research and development costs relating to display technology were included in research and development expenses prior to the commencement of our agreement with Futaba in June 2001 and after its termination in June 2002.

27

Research and Development Expenses

Research and development expenses increased by approximately \$182,000 in fiscal 2003, to approximately \$1,808,000, from approximately \$1,626,000 in fiscal 2002. The increase in research and development expenses reflected the classification of development efforts related to display technology during the term of our agreement with Futaba of approximately \$250,000 in fiscal 2002 as costs of revenue rather than as research and development expenses. In addition, non-employee consultant expense increased by approximately \$235,000 and outside research and development increased by approximately \$68,000, offset by a decrease in employee compensation and related costs of approximately \$160,000, a decrease in depreciation expense of approximately \$49,000, a decrease in patent related expenses of approximately \$57,000 and a decrease in engineering supplies expense of approximately \$56,000.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by approximately \$798,000 to approximately \$1,380,000 in fiscal 2003 from approximately \$2,178,000 in fiscal 2002. The decrease in selling, general and administrative expenses reflects a decrease in professional fees of approximately \$372,000, a decrease in employee compensation and related costs of approximately \$203,000, the elimination of expenses related to listing on the Nasdaq Stock Market of approximately \$90,000, a decrease in other shareholder relations expenses of approximately \$44,000 and a decrease in advertising expense of approximately \$50,000, offset by the recovery in the prior-year period of a previously recorded bad debt charge of approximately \$60,000.

Interest Income

Interest income was approximately \$5,000 in fiscal 2003, compared to approximately \$24,000 in fiscal 2002. The reduction in interest income was the result of from a decrease in average funds available for investment and a reduction in prevailing interest rates.

28

Liquidity and Capital Resources

From our inception through June 2001, we met our liquidity and capital expenditure needs primarily through the proceeds from sales of common stock in our initial public offering, in private placements, upon exercise of warrants issued in connection with the private placements and public offering, and upon the exercise of stock options. Commencing in the fourth quarter of fiscal 1999, we also began to generate cash from sales of our encryption products, and, from June 2001 to January 2002, we received development payments from Futaba.

In June 2001 and January 2002, we received payments from Futaba of \$2,500,000 and \$3,000,000, respectively, under an agreement with Futaba. Additionally, under agreements with Volga, we paid Volga an aggregate of \$1,110,000 and \$360,000 during fiscal 2002 and 2001, respectively, for development efforts during the term of our agreement with Futaba, exclusive of other costs incurred under the agreement with Futaba.

During fiscal 2004, our operating activities used approximately \$1,205,000 in cash. This resulted from payments to suppliers, employees and consultants of approximately \$1,792,000, which was offset by cash of approximately \$583,000 received from collections of accounts receivable and other receivables related to sales of encryption products and approximately \$4,000 of interest income received. In addition, during fiscal 2004, we received approximately \$1,200,000 in cash upon the exercise of stock options and purchased approximately \$16,000 of equipment. As a result, our cash and cash equivalents at October 31, 2004 decreased to approximately \$1,003,000 from approximately \$1,024,000 at the end of fiscal 2003.

Accounts receivable increased by approximately \$21,000 from approximately \$42,000 at the end of fiscal 2003 to approximately \$63,000 at October 31, 2004. The increase in accounts receivable is a result of the increase in revenue, the timing of collections and the decrease in the allowance for doubtful accounts. Other receivables decreased by approximately \$43,000 from approximately \$127,000 at the end of fiscal 2003 to approximately \$84,000 at the end of fiscal 2004. The decrease in other receivables is a result of proceeds received from the sale of a portion of the common stock received from a customer to settle this accounts receivable and other receipts from the customer aggregating approximately \$116,000, offset by a reduction of the provision for bad debts related to this accounts receivable of approximately \$73,000. The reduction of the provision for bad debts is based on management's estimate of the other receivables' net realizable value. Inventories decreased approximately \$46,000 from approximately \$1,045,000 at October 31, 2003 to approximately \$999,000 at October 31, 2004, as a result of the timing of shipments and production schedules. Prepaid expenses and other current assets increased by approximately \$74,000 from approximately \$48,000 at the end of fiscal 2003 to approximately \$122,000 at October 31, 2004. The increase in prepaid expenses and other assets is primarily due to a receivable of approximately \$100,000 from insurance companies related to a theft by a former employee (see "Investigation and Recovery Efforts Regarding Misappropriated Funds"). The balance of the insurance proceeds we received of approximately \$10,000 was applied to fiscal 2005. Accounts payable and accrued liabilities increased by approximately \$101,000 from approximately \$342,000 at the end of fiscal 2003 to approximately \$443,000 at October 31, 2004, as a result of the increase in operating expenses and the timing of payments.

As a result of these changes, working capital at October 31, 2004 decreased to approximately \$1,829,000 from approximately \$1,943,000 at the end of fiscal 2003.

Our working capital includes inventory of approximately \$999,000 and \$1,045,000 at October 31, 2004 and 2003, respectively. Management has recorded our inventory at the lower of cost or our current best estimate of net realizable value. To date, sales of our products have been limited. Accordingly, there can be no assurance that we will not be required to reduce the selling price of our inventory below our current carrying value.

29

During fiscal years ended October 31, 2004, 2003 and 2002, we issued shares of common stock to certain employees for services rendered, principally in lieu of cash compensation. Included in such shares issued during fiscal 2004 were shares issued to our Chairman of the Board and Chief Executive Officer. We recorded compensation expense for the fiscal years ended October 31, 2004, 2003 and 2002 of approximately \$1,507,000, \$1,292,000 and \$1,313,000, respectively, for shares of common stock issued to employees. In addition during fiscal 2004, 2003 and 2002, we issued shares of common stock to consultants for services rendered. We recorded consulting expense for the fiscal years ended October 31, 2004, 2003 and 2002 of approximately \$342,000, \$360,000 and \$115,000, respectively, for shares of common stock issued to consultants.

Our plans and expectations for our working capital needs also assume that our Chairman of the Board and Chief Executive Officer and our President will continue to perform services without significant cash compensation or pension benefits. While there are no formal agreements, our Chairman of the Board and Chief Executive Officer and our President waived any and all rights to receive salary and related pension benefits commencing November 1985 through October 31, 2003. For the year ended October 31, 2004, our Chairman of the Board and Chief Executive Officer received salary in the amount of approximately \$135,000 in the form of common stock and our President received salary in the amount of approximately \$37,000 in cash. There can be no assurance that they will continue to provide such services under such compensation arrangements.

The auditor's report on our financial statements as of October 31, 2004 states that the net loss incurred during the year ended October 31, 2004, our accumulated deficit as of that date, and the other factors described in Note 1 to the Financial Statements raise substantial doubt about our ability to continue as a going concern. The auditor's report on our financial statements for the years ended October 31, 2003 and 2002 contained a similar statement. Our financial statements have been prepared assuming we will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

We believe that our existing cash and accounts receivable, together with cash flows from expected sales of encryption products and flat panel displays, and other potential sources of cash flows, will be sufficient to enable us to continue in operation until at least the end of the first quarter

of fiscal 2006. We anticipate that, thereafter, we will require additional funds to continue our marketing, production, and research and development activities, and we will require outside funding if cash generated from operations is insufficient to satisfy our liquidity requirements. However, our projections of future cash needs and cash flows may differ from actual results. If current cash and cash that may be generated from operations are insufficient to satisfy our liquidity requirements, we may seek to sell debt or equity securities or to obtain a line of credit prior to the first quarter of fiscal 2006. The sale of additional equity securities or convertible debt could result in dilution to our stockholders. We currently have no arrangements with respect to additional financing. There can be no assurance that we will generate sufficient revenues in the future (through sales or otherwise) to improve our liquidity or sustain future operations, that our production capabilities will be adequate, that other products will not be produced by other companies that will render our products obsolete, or that other sources of funding would be available, if needed, on favorable terms or at all.

We are seeking to improve our liquidity through increased sales or license of products and technology. In an effort to generate sales, we have marketed our encryption products directly to U.S. and international distributors, dealers and original equipment manufacturers that market our encryption products and to end-users. We have been working with several large organizations to provide them with both our hardware and software encryption solutions for them to evaluate whether the solutions meet their security requirements and have begun supplying several major U.S. companies with our encryption products. We have also begun to market our flat panel video display products to potential purchasers for incorporation into their products. During fiscal 2004, we have recognized revenue from sales of encryption products of approximately \$494,000.

30

The following table presents our expected cash requirements for contractual obligations outstanding as of October 31, 2004:

<TABLE>
<CAPTION>

Payments Due by Period

	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
Contractual Obligations					
<S>	<C>	<C>	<C>	<C>	<C>
Consulting-Agreement	\$ 45,000	--	--	--	\$ 45,000
Noncancelable Operating Leases	\$255,000	\$153,000	--	--	\$ 408,000
Total Contractual Cash Obligations	\$ 300,000	\$153,000	--	--	\$ 453,000

</TABLE>

Investigation and Recovery Efforts Regarding Misappropriated Funds

In December 2004, we determined that a former accounting employee embezzled funds from us. We initially conducted an internal investigation, and subsequently engaged an independent accounting firm to conduct an independent investigation of this matter. Through our internal investigation, we determined that the amount embezzled by the employee during fiscal 2004 and the first month of fiscal 2005 was approximately \$189,000. We also discovered approximately \$4,000 in deposits to our account during these periods that we believe were made by the employee in an effort to conceal his fraudulent activity, for a net loss to us during this period of approximately \$185,000. The independent accounting firm agreed with this conclusion. The independent accounting firm determined that the employee had committed additional fraudulent activity during fiscal 2003, and we subsequently conducted a further internal review of activity by the employee since his hiring in 2001 and determined that the employee had committed additional fraudulent activity in fiscal 2002 and fiscal 2001, as well. The total losses from such activity during fiscal 2003, 2002 and 2001 was approximately \$28,000. The independent accounting firm also agreed with these conclusions.

We have recovered approximately \$110,000 of the losses through insurance proceeds. We have applied \$100,000 of such recovery to fiscal 2004, and have recorded a charge to expense of approximately \$75,000 in fiscal 2004, representing the remainder of the fiscal 2004 loss. We have applied \$10,000 of the recovery to the first quarter of fiscal 2005, representing the entire loss identified in such period. The losses in fiscal 2001 through fiscal 2003 were the result of false expenses for which no corresponding asset was received. Accordingly, such amounts were previously expensed in the years such funds were embezzled. We will seek additional recoveries from other parties which, if we are successful in recovering additional amounts, will be recorded as recoveries in future periods when they are received. Based on the amount and nature of the embezzlement and the expected recoveries, we do not believe that the fraudulent activity had a material effect on any of our previously issued financial statements.

31

We have incurred approximately \$45,000 of accounting and other professional fees related to this matter during the first quarter of fiscal 2005.

In connection with the audit of our financial statements for the year ended October 31, 2004, Grant Thornton LLP, our independent registered public accounting firm, advised us that there were material weaknesses in our internal controls that did not allow us to prevent or detect earlier such fraudulent activities, and that such weaknesses are "material weaknesses", as defined under standards established by the Public Company Accounting Oversight Board. As a result, and in response also to recommendations made by the independent accounting firm that conducted the investigation, to help ensure against such fraudulent activity in the future we have implemented changes to our cash processing and control procedures. We are also in the process of implementing changes to our operating bank account. See Item 9A "Controls and Procedures."

Impact of Recent Accounting Pronouncement

In December 2004, the FASB issued SFAS No. 123(R), "Accounting for Stock-Based Compensation" ("SFAS No. 123(R)"). SFAS No. 123(R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) requires that the fair value of such equity instruments be recognized as an expense in the historical financial statements as services are performed. Prior to SFAS No. 123(R), only certain pro forma disclosures of fair value were required. The provisions of this Statement are effective for the first interim reporting period that begins after June 15, 2005. Accordingly, we will adopt SFAS No. 123(R) commencing with the quarter ending October 31, 2005. If we had included the cost of employee stock option compensation in our financial statements, our net loss for the fiscal years ended October 31, 2004, 2003 and 2002 would have increased by approximately \$2,909,000, \$889,000 and \$283,000, respectively. Accordingly, the adoption of SFAS No. 123(R) is expected to have a material effect on our financial statements.

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

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

Item 8. Financial Statements and Supplementary Data.

See accompanying "Index to Financial Statements."

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

None.

Item 9A. Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chairman of the Board and Chief Executive Officer and our Chief Financial Officer and Vice President - Finance, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13-15(b) of the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the Chairman of the Board and Chief Executive Officer and the Chief Financial Officer and Vice President - Finance concluded that, other than as described below, our disclosure controls and procedures were effective as of the end of fiscal 2004.

There was no change in our internal control over financial reporting during the fourth quarter of fiscal 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Subsequent to the end of fiscal 2004, however, in connection with our audit of our financial statements for the fiscal year ended October 31, 2004, we determined that a former accounting employee embezzled funds from us. We immediately conducted an internal investigation and, on December 17, 2004, we filed with the SEC a Current Report on Form 8-K disclosing this determination. In addition to our internal investigation, we discussed the matter with our independent registered public accounting firm, Grant Thornton LLP, and also

engaged another independent accounting firm to conduct an independent investigation of this matter. The independent accounting firm undertook to (i) gain an understanding of the facts and circumstances surrounding the known fraudulent activity related to the former employee's embezzlement of funds, (ii) determine if the former employee engaged in fraudulent activities other than what had already been identified by our internal investigation, (iii) identify other employees or third parties, if any, that may have been associated with the known fraudulent activity, (iv) with respect to fiscal 2004 and the first month of fiscal 2005, gain an understanding of our internal controls as they relate to the areas in which the employee was involved (such as cash receipts and disbursements) and the responsibilities assigned to the former employee, test these areas for fraud, identify any weaknesses in our internal controls relating to these areas, make recommendations as to improvements in such internal controls, and quantify potential misstatements to our financial statements, and (v) for fiscal 2001 through fiscal 2003, review areas in which the employee was involved for fraud.

Through our internal investigation and the independent accounting firm's investigation, we have determined the following:

- o Our internal investigation concluded that the former accounting employee was the sole employee participating in the embezzlement. The independent accounting firm agreed with this conclusion.
- o The independent accounting firm was unable to determine whether any non-employee third party aided or abetted the employee in his fraudulent activity. We have no evidence, however, that any third party aided or abetted him.
- o Our internal investigation determined that, in fiscal 2004 and the first month of fiscal 2005, the former employee wrote checks out to himself using fraudulent authorized signatures, failed to deposit several of his own checks which were paid to us, and concealed such activities through the alteration of bank statements. We determined that the amount embezzled by the employee during these periods was approximately \$189,000. We also discovered approximately \$4,000 in deposits to our account during these periods that we believe were made by the employee in an effort to conceal his fraudulent activity, for a net loss to us during this period of approximately \$185,000. The independent accounting firm agreed with these conclusions.
- o The independent accounting firm determined that the employee had committed additional fraudulent activity during fiscal 2003, resulting a loss of approximately \$4,500. We subsequently conducted a further internal review of activity by the employee since his hiring in 2001 and determined that the employee had committed additional fraudulent activity in fiscal 2002 and fiscal 2001, resulting in losses during those periods of approximately \$20,000 and \$3,500, respectively. The independent accounting firm agreed with these conclusions.

34

- o The independent accounting firm concluded that, except for the activity our internal investigation had revealed and the activity between 2001 and 2003 described above, the former employee, in all likelihood did not engage in any other fraudulent activity.
- o Our internal investigation concluded, and the independent accounting firm agreed, that the employee's responsibilities in other areas (accounts receivable, sales, inventory and payroll) was very limited and, therefore, the possibility of fraudulent activity in these areas, by this employee, was remote.

We have terminated the employee and filed a criminal complaint against him, and will seek to recover funds from him. We have recovered approximately \$110,000 of the losses through insurance proceeds. We have applied \$100,000 of such recovery to fiscal 2004, and have recorded a charge to expense of approximately \$75,000 in fiscal 2004, representing the remainder of the fiscal 2004 loss. We have applied \$10,000 of the recovery to the first quarter of fiscal 2005, representing the entire loss identified in such period. The losses in fiscal 2001 through fiscal 2003 were the result of false expenses for which no corresponding asset was received. Accordingly, such amounts were previously expensed in the years such funds were embezzled. We will seek additional recoveries from other parties which, if we are successful in recovering additional amounts, will be recorded as recoveries in future periods when they are received. Based on the amount and nature of the embezzlement and the expected recoveries, we do not believe that the fraudulent activity had a material effect on any of our previously issued financial statements.

We have incurred a total of approximately \$45,000 of accounting and other professional fees related to this matter through January 14, 2005.

In connection with the audit of the Company's financial statements for the year ended October 31, 2004, Grant Thornton advised us that there was a weakness in our internal control over financial reporting that did not allow us to prevent or detect earlier such fraudulent activities. Specifically, Grant Thornton found that there was a lack of procedures in place to effect an adequate segregation of duties over cash and related cash processing. This weakness caused the following deficiencies:

- o inadequate control of processing of cash receipts,
- o inadequate control over bank transfers,
- o inadequate control over original bank statements and the reconciliation process, and

- o inadequate control over unused checks.

Grant Thornton advised us that these deficiencies constitute a "material weakness" under standards established by the Public Company Accounting Oversight Board.

As a result, and in response also to recommendations made by the independent accounting firm that conducted the investigation, to help ensure against such fraudulent activity in the future, we have implemented changes in certain of our internal controls over financial reporting, as follows:

- o an individual from management, rather than someone in the accounting department, will open the bank statements as they are received from the bank and review them for any unusual checks or other transactions before providing the statements to the accounting department to perform reconciliations;
- o this individual will compare all of the cancelled checks returned with the bank statement with our disbursement records to ensure that the records reflect the information on the check and will review the checks for unusual or unexpected endorsements; and
- o mail will be opened by personnel outside the accounting department and any checks will be immediately restrictively endorsed prior to being given to the accounting department.

The independent accounting firm also recommended we adopt a "zero-base balance" or a "sweep" account in our operating bank account to enable the bank to transfer funds to the operating account only when checks are presented for payment. We are in the process of implementing this recommendation. We are also in the process of hiring a replacement for the former accounting employee. We have also reviewed the segregation of duties in our accounting department and will further segregate duties once such person is hired, taking into account our staffing size and composition. Finally, the independent accounting firm also recommended that, as our business grows, we consider using a lockbox system for processing cash receipts, under which customers will be requested, via notations on invoices or monthly statements or the use of preaddressed envelopes, to send their payments to a post office box, which will be accessible only by (and will be collected daily by) our bank. We will continue to evaluate the effectiveness of our disclosure controls and procedures and our internal controls over financial reporting on an ongoing basis, and will take further action as appropriate. However, there can be no assurance that our controls and procedures will prevent all errors or fraud.

Item 9B. Other Information.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

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

<TABLE>
<CAPTION>

Name	Position with the Company and Principal Occupation	Age	Director and/or Executive Officer Since
<S> Denis A. Krusos	<C> Director, Chairman of the Board and Chief Executive Officer	<C> 77	<C> 1982
Frank J. DiSanto	Director and President	80	1982
Henry P. Herms	Director, Chief Financial Officer and Vice President - Finance	59	2000
George P. Larounis	Director	76	1997

</TABLE>

Mr. Krusos has served as one of our Directors and as our Chairman of the Board and Chief Executive Officer since November 1982. He holds an M.S.E.E. degree from Newark College of Engineering, a B.E.E. degree from City College of New York and a J.D. degree from St. John's University.

Mr. DiSanto has served as one of our Directors and as our President since November 1982. He holds a B.E.E. degree from Polytechnic Institute of Brooklyn and an M.E.E. degree from New York University.

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. Prior to joining us, Mr. Herms was employed by takeoutmusic.com Holding Corp. as Chief Financial Officer, from May 2000 to November 2000. Prior to that, for approximately 12 years, Mr. Herms was a Principal, Director and Chief Financial Officer of a group of affiliated, privately held companies operating under the Ultratran trade name. Mr. Herms was also our Chief Financial Officer from 1982 to 1987. He is also a former audit manager with the firm of Arthur Andersen LLP and a CPA. He holds a B.B.A. degree from Adelphi University.

Mr. Larounis has served as one of our Directors since September 1997, prior to which he served as a consultant to us. Mr. Larounis is currently retired. From 1960 to 1993, he held numerous positions as a senior international executive of The Bendix Corporation and Allied Signal Inc., which is now known as Honeywell International, Inc. He has also served on the Boards of Directors of numerous affiliates of Allied Signal in Europe, Asia and Australia. He holds a B.E.E. degree from the University of Michigan and a J.D. degree from New York University.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires our directors, executive officers and ten percent stockholders to file initial reports of ownership and reports of changes in ownership of our common stock with the Securities and Exchange Commission ("SEC"). Directors, executive officers and ten percent stockholders are required to furnish us with copies of all Section 16(a) forms that they file. Based upon a review of these filings, we believe that all required Section 16(a) filings were made on a timely basis during fiscal year 2004.

Code of Ethics

As of the date of this report, we have not 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. Because of the small number of our employees, and in particular the small number and long service of our senior management, our Board of Directors has not believed it necessary to adopt a formal code of ethics. However, our Board continues to evaluate this in light of recent developments concerning governance of public companies generally, including rules adopted by the Securities and Exchange Commission and the stock markets.

Audit Committee Financial Expert

The Securities and Exchange Commission has adopted rules implementing Section 407 of the Sarbanes-Oxley Act of 2002 requiring public companies to disclose information about "audit committee financial experts." We do not have a standing Audit Committee. The functions of the Audit Committee have been assumed by our full Board of Directors. Our Board of Directors has not concluded that Mr. Larounis, the sole non-management director, meets the definition of "audit committee financial expert." The Securities and Exchange Commission's rules do not require us to have an audit committee financial expert, and our Board of Directors has determined that it possesses sufficient financial expertise to effectively discharge its obligations.

Item 11. Executive Compensation.

Messrs. Denis A. Krusos, Chairman of the Board, Chief Executive Officer and Director, Frank J. DiSanto, President and Director, and Henry P. Herms, Chief Financial Officer, Vice President - Finance and Director, are our executive officers. While there are no formal agreements, Denis A. Krusos and Frank J. DiSanto waived any and all rights to receive salary and related pension benefits commencing November 1, 1985 through October 31, 2003. As a result, Messrs. Krusos and DiSanto received no salary or bonus during fiscal 2002 and 2003. Effective for fiscal 2004, Mr. Krusos began to receive compensation in the form of common stock and Mr. DiSanto began to receive cash compensation. Except for Mr. Krusos, no other executive officer received an annual salary and bonus in excess of \$100,000 during the fiscal year ended October 31, 2004. The following is compensation information regarding Mr. Krusos for the fiscal years ended October 31, 2004, 2003 and 2002:

<TABLE>
<CAPTION>

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year Ended	Annual Compensation	Long-Term Compensation Awards Securities Underlying Options (#)
-----------------------------	-------------------	---------------------	---

<S>	<C>	<C>	<C>
Denis A. Krusos, Chairman of the Board, Chief Executive Officer and Director	10/31/04 10/31/03 10/31/02	\$135,075 - -	1,750,000 1,500,000 -

</TABLE>

The following is information regarding stock options granted to Mr. Krusos pursuant to the 2003 Share Incentive Plan, during the fiscal year ended October 31, 2004:

<TABLE>
<CAPTION>

OPTION GRANTS IN LAST FISCAL YEAR

Individual Grants	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term						
	Name	Number of Securities Underlying Options Granted (#)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/Share)	Expiration Date	5% (\$)	10% (\$)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Denis A. Krusos	500,000 (1)	8.66%	\$0.43 (2)	2/22/14	\$135,212	\$ 342,655	
	250,000 (1)	4.33%	\$0.71 (2)	5/10/14	\$127,351	\$ 322,733	
	1,000,000 (1)	17.32%	\$1.04 (2)	10/25/14	\$654,050	\$1,657,492	

</TABLE>

- (1) Options granted pursuant to the 2003 Share Incentive Plan, which are exercisable in whole or in part on the date of grant. The options are not issued in tandem with stock appreciation or similar rights and are not transferable other than by will or the laws of descent and distribution. The options terminate upon termination of employment, except that in the case of death, disability or termination for reasons other than cause, options may be exercised for certain periods of time thereafter as set forth in the 2003 Share Incentive Plan.
- (2) The exercise price of these options was equal to the fair market value (closing price) of the underlying common stock on the date of grant. These options are nonqualified options.

The following is information regarding stock option exercises during fiscal 2004 by Mr. Krusos and the values of his options as of October 31, 2004:

<TABLE>
<CAPTION>

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION/VALUES

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at Fiscal Year End (#)		Value of Unexercised In-the-Money Options at Fiscal Year End (\$) (1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Denis A. Krusos	-	-	5,778,290	-	\$1,909,750	-

</TABLE>

- (1) Such value was determined by multiplying the net difference between the last sales price of the stock on October 31, 2004 and the exercise price for the options by the number of unexercised in-the-money options held.

There is no present arrangement for cash compensation of directors for services in that capacity. Under the 2003 Share Incentive Plan, each non-employee director is entitled to receive nonqualified stock options to purchase 60,000 shares of common stock each year that such director is elected to the Board of Directors.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The following table sets forth certain information with respect to our common stock beneficially owned as of January 10, 2005 by (a) each person who is known by us to be the beneficial owner of more than 5% of our outstanding common stock, (b) each of our directors and executive officers, and (c) all directors and executive officers as a group:

<TABLE>
<CAPTION>

	Amount and Nature of Beneficial Ownership(1) (2)	Percent of Class
<S> Denis A. Krusos 900 Walt Whitman Road Melville, NY 11747	7,747,600	8.37%
Frank J. DiSanto 900 Walt Whitman Road Melville, NY 11747	4,309,505	4.76%
Henry P. Herms 900 Walt Whitman Road Melville, NY 11747	595,000	*
George P. Larounis 900 Walt Whitman Road Melville, NY 11747	330,000	*
All Directors and Executive Officers as a Group (4 persons)	12,982,105	13.36%

</TABLE>

* Less than 1%.

- (1) A beneficial owner of a security includes any person who directly or indirectly has or shares voting power and/or investment power with respect to such security or has the right to obtain such voting power and/or investment power within sixty (60) days. Except as otherwise noted, each designated beneficial owner in this report has sole voting power and investment power with respect to the shares of our common stock beneficially owned by such person.
- (2) Includes 5,778,290 shares, 3,666,290 shares, 570,000 shares, 330,000 shares and 10,344,580 shares which Denis A. Krusos, Frank J. DiSanto, Henry P. Herms, George P. Larounis, and all directors and executive officers as a group, respectively, have the right to acquire within 60 days upon exercise of options granted pursuant to the 1993 Stock Option Plan, 2000 Share Incentive Plan and the 2003 Share Incentive Plan.

41

Equity Compensation Plan Information

The following is information as of October 31, 2004 about shares of our common stock that may be issued upon the exercise of options, warrants and rights under all equity compensation plans in effect as of that date, including our 1993 Stock Option Plan, our 2000 Share Incentive Plan and our 2003 Share Incentive Plan. See Note 9 to Financial Statements for more information on these plans.

<TABLE>
<CAPTION>

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
<S> Equity compensation plans approved by security holders	<C> 10,719,546	<C> \$2.93	<C> 773
Equity compensation plans not approved by security holders	7,285,000	\$0.62	12,566,129
Total	18,004,546	\$1.99	12,566,902

</TABLE>

Item 13. Certain Relationships and Related Transactions.

None.

Item 14. Principal Accountant Audit Fees and Services Fees.

The following table describes fees for professional audit services rendered by Grant Thornton LLP, our present independent registered public accounting firm and principal accountant, for the audit of our annual financial statements and for other services for the years ended October 31, 2004, and 2003.

Type of Fee	2004	2003
Audit Fees	\$127,460	\$120,448
Audit Related Fees	--	--
Tax Fees - Tax return review	--	--
All Other Fees	--	--
Total	\$127,460	\$120,448

42

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

Our Board of Directors is responsible for reviewing and approving, in advance, any audit and any permissible non-audit engagement or relationship between us and our independent registered public accounting firm. Grant Thornton LLP's engagement to conduct our audit was approved by the Board of Directors on September 17, 2004. We did not enter into any non-audit engagement or relationship with Grant Thornton LLP during fiscal 2004.

43

PART IV

Item 15. Exhibits, Financial Statement Schedules

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

See accompanying "Index to Financial Statements."

(a) (3) Executive Compensation Plans and Arrangements

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

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

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

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

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

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

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

Amendment No. 1 to the CopyTele, Inc. 2003 Share Incentive Plan (filed as Exhibit 4(e) to our Form S-8 dated November 9, 2005).

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

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

(b) Exhibits

- 3.1 Certificate of Incorporation, as amended. (Incorporated by reference to Form 10-Q for the fiscal quarter ended July 31, 1992 and to Form 10-Q for the fiscal quarter ended July 31, 1997.)
- 3.2 By-laws, as amended and restated. (Incorporated by reference to Post-Effective Amendment No. 1 to Form S-8 (Registration No. 33-49402) dated December 8, 1993.)
- 3.3 Amendment to By-laws. (Incorporated by reference to Form 10-Q for the fiscal quarter ended January 31, 2003.)
- 10.1 CopyTele, Inc. 1993 Stock Option Plan, adopted on April 28, 1993 and approved by shareholders on July 14, 1993. (Incorporated by reference to Proxy Statement dated June 10, 1993.)
- 10.2 Amendment No. 1 to the CopyTele, Inc. 1993 Stock Option Plan, adopted on May 3, 1995 and approved by shareholders on July 19, 1995. (Incorporated by reference to Form S-8 (Registration No. 33-62381) dated September 6, 1995.)
- 10.3 Amendment No. 2 to the CopyTele, Inc. 1993 Stock Option Plan, adopted on May 10, 1996 and approved by shareholders on July 24, 1996. (Incorporated by reference to Form 10-Q for the fiscal quarter ended April 30, 1996.)
- 10.4 Agreement dated March 3, 1999 between Harris Corporation and CopyTele, Inc. (Incorporated by reference to Form 10-Q for the fiscal quarter ended January 31, 1999.)
- 10.5 Stock Subscription Agreement dated April 27, 1999, including form of Warrant, between CopyTele, Inc. and Lewis H. Titterton. (Incorporated by reference to Form 10-Q for the fiscal quarter ended April 30, 1999.)

- 10.6 Agreement dated July 28, 1999, among CopyTele, Inc., Harris Corporation and RF Communications. (Incorporated by reference to Form 8-K dated July 28, 1999.)
- 10.7 Stock Subscription Agreement dated August 30, 1999, including form of Warrant, between CopyTele, Inc. and Lewis H. Titterton. (Incorporated by reference to Form 10-K for the fiscal year ended October 31, 1999.)
- 10.8 CopyTele, Inc. 2000 Share Incentive Plan. (Incorporated by reference to Annex A of our Proxy Statement dated June 12, 2000.)
- 10.9 Amendment No. 1 to the CopyTele, Inc. 2000 Share Incentive Plan, adopted on July 6, 2001 and approved by shareholders on August 16, 2001. (Incorporated by reference to Form 10-Q for the fiscal quarter ended July 31, 2001.)
- 10.10 Amendment No. 2 to the CopyTele, Inc. 2000 Share Incentive Plan, adopted on July 16, 2002 and approved by shareholders on September 12, 2002. (Incorporated by reference to Exhibit 4(e) to our Form S-8 (Registration No. 333-99717) dated September 18, 2002.)
- 10.11 Amendment, dated May 10, 2001, to the Joint Cooperation Agreement between CopyTele, Inc. and Volga Svet Ltd. (Incorporated by reference to Exhibit 10.14 to our Form 10-K for the fiscal year ended October 31, 2001.)
- 10.12 Letter Agreement between CopyTele, Inc. and Volga Svet Ltd., dated as of February 1, 2002. (Incorporated by reference to Exhibit 10.15 to our Form 10-K for the fiscal year ended October 31, 2001.)
- 10.13 CopyTele, Inc. 2003 Share Incentive Plan (Incorporated by reference to Exhibit 4 to our Form S-8 dated May 5, 2003).
- 10.14 Amendment No. 1 to the CopyTele, Inc. 2003 Share Incentive Plan (Incorporated by reference to Exhibit 4(e) to our Form S-8 dated November 9, 2005).

- 10.15 Form of Stock Option Agreement under CopyTele, Inc. 2003 Share Incentive Plan (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2004).
- 10.16 Form of Stock Award Agreement under CopyTele, Inc. 2003 Share Incentive Plan (Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2004).
- 10.17 Long Term Agreement dated April 2, 2004 between CopyTele, Inc. and Boeing Satellite Systems International, Inc., as modified September 16, 2004. (Previously Filed.)
- 23.1 Consent of Grant Thornton LLP. (Filed herewith.)
- 31.1 Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated January 18, 2005. (Filed herewith.)
- 31.2 Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated January 18, 2005. (Filed herewith.)
- 32.1 Statement of Chief Executive Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated January 18, 2005. (Filed herewith.)
- 31.2 Statement of Chief Financial Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated January 18, 2005. (Filed herewith.)

47

SIGNATURES

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

COPYTELE, INC.

By: /s/ Denis A. Krusos

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

January 18, 2005

48

COPYTELE, INC.

INDEX TO FINANCIAL STATEMENTS
 OCTOBER 31, 2004

<TABLE>
 <CAPTION>

	Page

<S>	<C>
Report of Independent Registered Public Accounting Firm: Grant Thornton LLP	F-1
Balance Sheets as of October 31, 2004 and 2003	F-2
Statements of Operations for the years ended October 31, 2004, 2003 and 2002	F-3
Statement of Shareholders' Equity for the years ended October 31, 2004, 2003 and 2002	F-4
Statements of Cash Flows for the years ended October 31, 2004, 2003 and 2002	F-5
Notes to Financial Statements	F-6 - F-22
Schedule of Valuation and Qualifying Accounts	S-1

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.

49

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
 COPYTELE, INC.

We have audited the accompanying balance sheets of CopyTele, Inc. (the "Company") (a Delaware corporation) as of October 31, 2004 and 2003, and the related statements of operations, shareholders' equity and cash flows for each of the three years in the period ended October 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CopyTele, Inc. as of October 31, 2004 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the financial statements, the Company has incurred a net loss of approximately \$3,361,000 during the year ended October 31, 2004, and, as of that date, the Company has an accumulated deficit of approximately \$68,456,000. These and the other factors described in Note 1 raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We have also audited the financial statement schedule listed in the Index at Item 15(a)(2) as of October 31, 2004 and 2003 and for each of the three years in the period ended October 31, 2004. In our opinion, this schedule presents fairly, in all material respects, the information required to be set forth therein.

/s/ GRANT THORNTON LLP

Melville, New York
January 4, 2005, except for Note 10 as to
which the date is January 12, 2005

F-1

COPYTELE, INC.

BALANCE SHEETS

<TABLE>
<CAPTION>

ASSETS	October 31, 2004	October 31, 2003
CURRENT ASSETS:		
<S>	<C>	<C>
Cash and cash equivalents	\$ 1,002,777	\$ 1,023,531
Accounts receivable, net of allowance for doubtful accounts of \$149,455 and \$159,230, respectively	63,460	41,500
Other receivables, net of allowance for doubtful accounts of \$108,793 and \$181,952, respectively	84,308	127,124
Inventories	999,429	1,044,875
Prepaid expenses and other current assets	122,482	47,972
Total current assets	2,272,456	2,285,002
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization of \$2,101,008 and \$2,084,010, respectively	38,085	39,480
OTHER ASSETS	5,509	6,009
	\$ 2,316,050	\$ 2,330,491
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 402,640	\$ 316,865
Accrued liabilities	40,480	25,420
Total current liabilities	443,120	342,285
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		

Preferred stock, par value \$100 per share; 500,000 shares authorized; no shares issued or outstanding	-	-
Common stock, par value \$.01 per share; 240,000,000 shares authorized; 85,523,253 and 80,151,478 shares issued and outstanding, respectively	855,233	801,515
Additional paid-in capital	69,474,058	66,282,397
Accumulated deficit	(68,456,361)	(65,095,706)
	-----	-----
	1,872,930	1,988,206
	-----	-----
	\$ 2,316,050	\$ 2,330,491
	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

F-2

COPYTELE, INC.

STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	For the Years Ended October 31,		
	2004	2003	2002
	-----	-----	-----
REVENUE			
<S>	<C>	<C>	<C>
Sales, net	\$ 494,462	\$ 244,221	\$ 645,027
Collaborative agreement	--	--	4,541,667
	-----	-----	-----
Total revenue	494,462	244,221	5,186,694
COST OF REVENUE			
Cost of sales	176,112	175,944	427,056
Cost of collaborative agreement	--	--	1,444,002
	-----	-----	-----
Total cost of revenue	176,112	175,944	1,871,058
Gross profit	318,350	68,277	3,315,636
OPERATING EXPENSES			
Research and development expenses	2,164,427	1,807,742	1,625,974
Selling, general and administrative expenses	1,518,911	1,379,614	2,177,608
Impairment loss on commercial trade barter credits	--	--	2,820,800
	-----	-----	-----
Total operating expenses	3,683,338	3,187,356	6,624,382
LOSS FROM OPERATIONS	(3,364,988)	(3,119,079)	(3,308,746)
INTEREST INCOME	4,333	4,668	23,506
NET LOSS	\$ (3,360,655)	\$ (3,114,411)	\$ (3,285,240)
PER SHARE INFORMATION:			
Net loss per share:			
Basic and Diluted	\$ (.04)	\$ (.04)	\$ (.05)
	-----	-----	-----
Shares used in computing net loss per share:			
Basic and Diluted	82,953,519	75,153,015	68,088,748
	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

F-3

COPYTELE, INC.

STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED OCTOBER 31, 2004, 2003 AND 2002

<TABLE>
<CAPTION>

	Common Stock		Additional	Accumulated
	Shares	Par Value	Paid-in Capital	Deficit
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
BALANCE, October 31, 2001	66,521,100	665,211	62,197,370	(58,696,055)

Common stock issued upon exercise of stock options under stock option plans	20,000	200	7,800	--
Common stock issued to employees for services rendered	3,311,405	33,114	1,280,039	--
Common stock issued to consultants	404,650	4,047	111,004	--
Net loss	--	--	--	(3,285,240)

BALANCE, October 31, 2002	70,257,155	702,572	63,596,213	(61,981,295)
Stock option compensation to consultants	--	--	4,800	--
Common stock issued upon exercise of stock options under stock option plans	4,046,500	40,465	1,087,725	--
Common stock issued to employees for services rendered	4,483,111	44,831	1,246,906	--
Common stock issued to consultants	1,364,712	13,647	346,753	--
Net loss	--	--	--	(3,114,411)

BALANCE, October 31, 2003	80,151,478	801,515	66,282,397	(65,095,706)
Stock option compensation to consultants	--	--	196,691	--
Common stock issued upon exercise of stock options under stock option plans	2,236,500	22,365	1,177,605	--
Common stock issued to employees for services rendered	2,491,415	24,914	1,481,679	--
Common stock issued to consultants	643,860	6,439	335,686	--
Net loss	--	--	--	(3,360,655)

BALANCE, October 31, 2004	85,523,253	\$855,233	\$69,474,058	\$(68,456,361)
=====				

</TABLE>

The accompanying notes are an integral part of this statement.

F-4

COPYTELE, INC.

STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	For the Years Ended October 31,		
	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
<S>	<C>	<C>	<C>
Payments to suppliers, employees and consultants	\$ (1,792,103)	\$ (1,234,490)	\$ (4,136,913)
Cash received from customers	582,648	271,321	681,936
Cash received from collaborative agreement	--	--	3,000,000
Interest received	4,333	4,668	23,506
Net cash used in operating activities	(1,205,122)	(958,501)	(431,471)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchases of property and equipment	(15,602)	(980)	(38,567)
Net cash used in investing activities	(15,602)	(980)	(38,567)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of stock options, net of registration disbursements	1,199,970	1,128,190	8,000
Net cash provided by financing activities	1,199,970	1,128,190	8,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(20,754)	168,709	(462,038)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,023,531	854,822	1,316,860
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,002,777	\$ 1,023,531	\$ 854,822
=====			
RECONCILIATION OF NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:			
Net loss	\$ (3,360,655)	\$ (3,114,411)	\$ (3,285,240)
Impairment loss on commercial trade barter credits	--	--	2,820,800
Stock option compensation to consultants	196,692	4,800	--
Stock awards granted to employees and consultants pursuant to stock incentive plans	1,848,717	1,652,137	1,428,204
Provision for [recovery of] doubtful accounts	(73,159)	205,011	155,505
Provision for slow-moving inventory	--	--	100,000
Depreciation and amortization	16,997	33,083	86,471
Change in operating assets and liabilities:			
Accounts receivable and other receivables	94,015	27,097	(19,846)
Inventories	45,446	251,324	193,151
Prepaid expenses and other current assets	(74,510)	54,547	34,383
Other assets	500	(355)	36,959
Accounts payable and accrued liabilities	100,835	(71,734)	(440,191)
Deferred revenue	--	--	(1,541,667)
Net cash used in operating activities	\$(1,205,122)	\$(958,501)	\$(431,471)

</TABLE>

The accompanying notes are an integral part of these statements.

F-5

COPYTELE, INC.

NOTES TO FINANCIAL STATEMENTS

1. NATURE AND DEVELOPMENT OF BUSINESS AND FUNDING

ORGANIZATION

CopyTele, Inc. was incorporated on November 5, 1982. Our principal operations are the development, production and marketing of multi-functional hardware and software based encryption products that provide information security for domestic and international users over virtually every communications media and the development, production and marketing of thin, high brightness, flat panel video displays.

PRODUCTS

We currently have 14 different products in our line of hardware-based encryption solutions. Our encryption products are multi-functional, hardware based digital encryption systems that provide high-grade voice, fax and data encryption using either the Citadel(TM) CCX encryption cryptographic chip (which is manufactured by the Harris Corporation) or the Triple DES or AES algorithm (algorithms available in the public domain which are used by many U.S. government agencies). In addition, we have developed two software-based security products, one of which uses either the Triple DES or the AES algorithm to encrypt data files and e-mail attachments in both desktop and laptop computers utilizing Microsoft Windows operating systems, and the other of which can encrypt voice and data in cellular and satellite phones, scanners, and printers. We sell our encryption products directly to end-users and through dealers and distributors.

We are also continuing our research and development work on our electron emission display ("Flat CRT") technology. We have been developing a Flat CRT display based on our thin film technology ("TFT") and have produced prototype displays containing TFT color matrix structures.

FUNDING AND MANAGEMENT'S PLANS

From our inception through June 2001, we had met our liquidity and capital expenditure needs primarily through the proceeds from sales of common stock in our initial public offering, in private placements, upon exercise of warrants issued in connection with the private placements and public offering, and upon the exercise of stock options. Commencing in the fourth quarter of fiscal 1999, we began to generate cash flows from sales of our encryption products, and, from June 2001 to January 2002, we received development payments from Futaba Corporation ("Futaba") of Japan.

During fiscal 2004, our operating activities used approximately \$1,205,000 in cash. This resulted from payments to suppliers, employees and consultants of approximately \$1,792,000, which was offset by cash of approximately \$583,000 received from collections of accounts receivable and other receivables related to sales of encryption products and approximately \$4,000 of interest income received. In addition, during fiscal 2004 we received approximately \$1,200,000 in cash upon the exercise of stock options and purchased approximately \$16,000 of equipment. As a result, our cash and cash equivalents at October 31, 2004 decreased to approximately \$1,003,000 from approximately \$1,024,000 at the end of fiscal 2003.

F-6

COPYTELE, INC.

NOTES TO FINANCIAL STATEMENTS

We believe that our existing cash and accounts receivable, together with cash flows from expected sales of encryption products and flat panel displays, and other potential sources of cash flows, will be sufficient to enable us to continue in operation until at least the end of the first quarter of fiscal 2006. We anticipate that, thereafter, we will require additional funds to continue our marketing, production, and research and development activities, and we will require outside funding if cash generated from operations is insufficient to satisfy our liquidity requirements. However, our projections of future cash needs and cash flows may differ from actual results. If current cash and cash that may be generated from operations are insufficient to satisfy our liquidity requirements, we may seek to sell debt or equity securities or to obtain a line of credit prior to the first quarter of fiscal 2006. The sale of additional equity securities or convertible debt could result in dilution to our stockholders. We currently have no arrangements with respect to additional financing. There can be no assurance that we will generate sufficient revenues in the future (through sales or otherwise) to improve our liquidity or sustain future operations, that our production capabilities will be adequate, that other products will not be produced by other companies that will render our products obsolete, or that other sources of funding would be available, if needed, on favorable terms or at all.

The accompanying financial statements have been prepared assuming that we will continue as a going concern. As shown in the accompanying financial statements, we have incurred a net loss of approximately \$3,361,000 during the year ended October 31, 2004, and, as of that date, we have an accumulated deficit of approximately \$68,456,00. These and the other factors described herein raise substantial doubt about our ability to continue as a going concern. Management's plans in regard to these matters are set forth above. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REVENUE RECOGNITION

SALES

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

COLLABORATIVE AGREEMENT

A \$2.5 million payment received from Futaba in June 2001, pursuant to an agreement with Futaba described in Note 3, was recognized ratably over the period between June 2001 and June 2002, the contractually defined one-year period of our commitment under this agreement. A subsequent \$3 million payment received from Futaba under this agreement in January 2002 was recognized ratably over the remainder of the one-year period.

SALES RETURNS

Revenues are recorded net of estimated sales returns.

F-7

COPYTELE, INC.

NOTES TO FINANCIAL STATEMENTS

WARRANTY POLICY

We warrant that our products are free from defects in material and workmanship for a period of one year from the date of initial purchase. The warranty does not cover any losses or damage that occur as a result of improper installation, misuse or neglect. Management has recorded a nominal amount of warranty liability as of October 31, 2004 and October 31, 2003, based upon historical experience and management's best estimate of future warranty claims.

STATEMENTS OF CASH FLOWS

Cash and cash equivalents consist of highly liquid instruments that are readily convertible into cash and have original maturities of three months or less. During the years ended October 31, 2004, 2003 and 2002, the Company did not pay any interest or income taxes.

ACCOUNTS RECEIVABLE

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

Changes in our allowance for doubtful accounts are as follows:

<TABLE>
<CAPTION>

	Year Ended October 31,	
	2004	2003
<S>	<C>	<C>
Beginning balance	\$ 159,230	\$325,505
Provision for doubtful accounts receivable	-	23,056
Accounts written off	(9,775)	(189,331)
Ending balance	\$ 149,455	\$ 159,230

</TABLE>

INVENTORIES

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

PROPERTY AND EQUIPMENT

Property and equipment, consisting primarily of engineering equipment, is stated at cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of the related assets, primarily five years.

F-8

COPYTELE, INC.

NOTES TO FINANCIAL STATEMENTS

VALUATION OF LONG-LIVED ASSETS

We assess the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include a significant underperformance relative to expected historical or projected future operating results and cash flows, a significant change in the manner of the use of the asset or a significant negative industry or economic trend. When management determines that the carrying value of long-lived asset may not be recoverable based upon the existence of one or more of the above indicators of impairment, the carrying amount of the asset would be written down to fair value based upon the present value of estimate future cash flows, to reflect the impairment. See Note 4.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are expensed in the year incurred.

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.

STOCK-BASED COMPENSATION

In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" ("SFAS No. 148"), which addresses financial accounting and reporting for recording expenses for the fair value of stock options. SFAS No. 148 provides alternative methods of transition for a voluntary change to fair value based method of accounting for stock-based employee compensation. Additionally, SFAS No. 148 requires more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. The adoption of SFAS No. 148 disclosure requirements, effective February 1, 2003, had no effect on our financial position or results of operations. SFAS No. 123 "Accounting for Stock Based Compensation" ("SFAS No. 123") encourages but does not require companies to record compensation cost for stock-based employee compensation plans at fair value. We account for stock options granted to employees using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB Opinion No. 25") and comply with the disclosure provisions of SFAS No. 123 and SFAS No. 148. Compensation cost for stock options issued to employees and directors is measured as the excess, if any, of the quoted market price of our stock at the date of grant over the amount an employee or director must pay to acquire the stock. In accordance with APB Opinion No. 25, we have not recognized any compensation cost, as all option grants to employees and directors have been made at the fair market value of our stock on the date of grant.

F-9

COPYTELE, INC.

NOTES TO FINANCIAL STATEMENTS

Had compensation cost for stock options granted to employees been determined at fair value, consistent with SFAS No. 123, our net loss and net loss per share would have increased to the following adjusted amounts:

<TABLE>
<CAPTION>

	For the Year Ended October 31,		
	2004	2003	2002
<S>	<C>	<C>	<C>
Net loss as reported	\$ (3,360,655)	\$ (3,114,411)	\$ (3,285,240)
Add: Total stock-based employee compensation expense, determined under fair value based method, for all awards, net of related tax effect	(2,909,217)	(889,145)	(282,908)
Net loss as adjusted	\$ (6,269,872)	\$ (4,003,556)	\$ (3,568,148)

Net loss per share, basic and diluted:

As reported	\$ (0.04)	\$ (0.04)	\$ (0.05)
	=====	=====	=====
As adjusted	\$ (0.08)	\$ (0.05)	\$ (0.05)
	=====	=====	=====

</TABLE>

The fair value of each option grant is estimated at the date of grant using the Black-Scholes option pricing model. The following weighted-average assumptions were used for grants for the years ended October 31, 2004, 2003 and 2002, respectively: risk free interest rates of 2.58%, 1.39% and 3.26%; expected dividend yields of 0% for all periods; expected lives of 2.49 years, 1.49 years and 2.50 years; and expected stock price volatility of 124%, 139% and 93%. The weighted average fair value of options granted under SFAS No. 123 for the fiscal years ended October 31, 2004, 2003 and 2002 was \$0.55, \$0.13 and \$0.34, respectively.

We account for options granted to non-employee consultants using the fair value method required by SFAS No. 123. Compensation expense for consultants, recognized in the fiscal years ended October 31, 2004, 2003 and 2002, was approximately \$197,000, \$5,000 and \$0, respectively. Such compensation expense was recognized in accordance with Emerging Issues Task Force Issue No. 00-08, "Accounting by a Grantee for an Equity Instrument to be Received in Conjunction with Providing Goods or Services" and No. 96-18 "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services," and is included in either research and development expenses or selling, general and administrative expenses, as applicable, in the accompanying statements of operations.

NET INCOME (LOSS) PER SHARE OF COMMON STOCK

We comply with the provisions of SFAS No. 128, "Earnings Per Share" ("SFAS No. 128"). In accordance with SFAS No. 128, basic net income (loss) per common share ("Basic EPS") is computed by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted net income (loss) per common share ("Diluted EPS") is computed by dividing net income (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 impact of common stock equivalents then outstanding would be anti-dilutive. For this reason, excluded from the calculation of Diluted EPS for the fiscal years ended October 31, 2004, 2003 and 2002, were options to purchase 18,064,546 shares, 15,522,246 shares and 14,705,746 shares, respectively.

F-10

COPYTELE, INC.

NOTES TO FINANCIAL STATEMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS

We comply with the provisions of SFAS No. 107, "Disclosure about Fair Value of Financial Instruments," which requires disclosures about the fair value of financial instruments. In the opinion of management, the carrying value of all financial instruments, consisting primarily of cash and cash equivalents, accounts and other receivables and accounts payable, reflected in the accompanying balance sheet, approximates fair value as of October 31, 2004 and 2003, due to their short term nature.

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. Actual results could differ from those estimates.

EFFECT OF RECENTLY ISSUED PRONOUNCEMENT

In December 2004, the FASB issued SFAS No. 123(R), "Accounting for Stock-Based Compensation" ("SFAS No. 123(R)"). SFAS No. 123(R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) requires that the fair value of such equity instruments be recognized as an expense in the historical financial statements as services are performed. Prior to SFAS No. 123(R), only certain pro forma disclosures of fair value were required. The provisions of this Statement are effective for the first interim reporting period that begins after June 15, 2005. Accordingly, we will adopt SFAS No. 123(R) commencing with the quarter ending October 31, 2005. If we had included the cost of employee stock option compensation in our financial statements, our net loss for the fiscal years ended October 31, 2004, 2003 and 2002 would have increased by approximately \$2,909,000, \$889,000 and \$283,000, respectively. Accordingly, the adoption of SFAS No. 123(R) is expected to have a material effect on our financial statements.

3. COLLABORATIVE AGREEMENT

From June 2001 until June 2002, pursuant to an agreement with Futaba, we worked with Futaba to jointly develop and commercialize a full-color video

display utilizing our display technology. We received payments from Futaba aggregating \$5,500,000 during the term of this agreement. We have no further performance obligations with respect to this agreement.

In 1997, we entered into an agreement with Volga for certain development efforts in connection with our display technology. Under amendments to this agreement, we paid Volga an aggregate of \$1,110,000 during fiscal 2002 for development efforts during the term of our agreement with Futaba.

F-11

COPYTELE, INC.

NOTES TO FINANCIAL STATEMENTS

4. BARTER TRANSACTION AND ASSOCIATED IMPAIRMENT

In August 2000, we entered into a nonmonetary barter transaction in which we sold \$3,000,000 of certain inventory in exchange for an equal value of commercial trade credits. In accordance with APB Opinion No. 29, "Accounting for Non-Monetary Transactions," we recognized no gain or loss on the transaction as it was management's opinion that this exchange was effected at fair market value. These trade credits could have been redeemed to reduce the cost of advertising as well as other products and services. As is typical of such arrangements, to utilize barter credits we would have to pay a certain percentage of the advertising or other expense in cash. In accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," we continually evaluated the carrying amount of this asset.

Unused barter credits at May 1, 2002 aggregated approximately \$2,821,000. To utilize these barter credits in exchange for advertising and purchase discounts, we would have to pay between 65-70% of the transaction value in cash. Because our anticipated cash flow was negatively affected by the termination of the agreement with Futaba, our ability to make such payments and thereby utilize the barter credits was uncertain. Therefore, during fiscal 2002, we wrote off all unused barter credits, thereby recognizing an impairment loss in the amount of approximately \$2,821,000. This impairment loss relates to our Encryption Products Segment.

5. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject us to concentrations of credit risk consist principally of accounts receivable from sales in the ordinary course of business. Management reviews our accounts receivable and other receivables for potential doubtful accounts and maintains an allowance for estimated uncollectible amounts. Generally, no collateral is received from customers for our accounts receivable. During fiscal 2004, two customers in the Encryption Products and Services Segment represented 61% and 19%, respectively, of total net revenues. During fiscal 2003, two customers in the Encryption Products and Services Segment represented 25% and 13%, respectively, of total net revenues. Futaba, in the Flat Panel Display Segment, represented 88% of total net revenues in fiscal 2002. At October 31, 2004, two customers in the Encryption Products and Services Segment represented 48% and 44%, respectively, of net accounts receivable. At October 31, 2003, two customers in the Encryption Products and Services Segment represented 47% and 36%, respectively, of net accounts receivable.

6. OTHER RECEIVABLES

In May and June 2002, we received restricted common stock from a customer in connection with an outstanding accounts receivable of approximately \$323,000 and anticipated settling this accounts receivable through the ultimate sale of the common stock. This customer has agreed with us to cure any deficiency between the proceeds from the sale of the common stock and the balance of the outstanding accounts receivable. In addition, the customer's principal shareholder has personally agreed to cure any deficiency in the event that the customer defaults on its agreement to cure such deficiency, up to \$292,000. During fiscal 2004 and 2003, we received aggregate proceeds of approximately \$110,000 and \$14,000, respectively, from the sale of a portion of the common stock. As of October 31, 2004, we hold 240,000 shares of common stock, subject to no restrictions, with a fair value of approximately \$72,000, and we intend to sell the remaining portion of such stock during the next twelve months to recover the receivable. This receivable is stated at management's estimate of its net realizable value.

F-12

COPYTELE, INC.

NOTES TO FINANCIAL STATEMENTS

7. INVENTORIES

Inventories consist of the following as of:

<TABLE>
<CAPTION>

October 31,

	2004	2003
<S>	<C>	<C>
Component parts	\$ 304,862	\$ 341,344
Work-in-process	114,075	48,324
Finished products	580,492	655,207
	\$ 999,429	\$ 1,044,875

</TABLE>

8. ACCRUED LIABILITIES

Accrued liabilities consist of the following as of:

<TABLE>
<CAPTION>

	October 31,	
	2004	2003
<S>	<C>	<C>
Accrued professional fees	\$ 21,485	\$ 7,000
Accrued payroll and related expenses	7,136	5,607
Accrued other	11,859	12,813
	\$ 40,480	\$ 25,420

</TABLE>

9. SHAREHOLDERS' EQUITY

COMMON STOCK ISSUANCES

During fiscal years ended October 31, 2004, 2003 and 2002, we issued 2,491,415 shares, 4,483,111 shares and 3,311,405 shares, respectively, of common stock to certain employees for services rendered, principally in lieu of cash compensation, pursuant to the CopyTele, Inc. 2000 Share Incentive Plan (the "2000 Share Plan") and the CopyTele, Inc. 2003 Share Incentive Plan (the "2003 Share Plan"). Included in such shares issued during fiscal 2004 were 235,000 shares and 25,000 shares issued to Denis A. Krusos, our Chairman of the Board and Chief Executive Officer, and Henry P. Herms, our Vice President-Finance and Chief Financial Officer, respectively. We recorded compensation expense for the fiscal years ended October 31, 2004, 2003 and 2002 of approximately \$1,507,000, \$1,292,000 and \$1,313,000, respectively, for shares of common stock issued to employees. In addition during fiscal 2004, 2003 and 2002, we issued 643,860 shares, 1,364,712 shares and 404,650 shares, respectively, of common stock to consultants for services rendered pursuant to the 2003 Share Plan and the 2000 Share Plan. We recorded consulting expense for the fiscal years ended October 31, 2004, 2003 and 2002 of approximately \$342,000, \$360,000 and \$115,000, respectively, for shares of common stock issued to consultants.

PREFERRED STOCK

On May 29, 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, 2004 and 2003, there is no preferred stock issued and outstanding.

F-13

COPYTELE, INC.

NOTES TO FINANCIAL STATEMENTS

STOCK OPTION PLANS

As of October 31, 2004, we have three stock option plans: the CopyTele, Inc. 1993 Stock Option Plan (the "1993 Plan"), the 2000 Share Plan, and the 2003 Share Plan, which were adopted by our Board of Directors on April 28, 1993, May 8, 2000, and April 21, 2003, respectively. Stock options outstanding as of October 31, 2002 of 309,000 shares under our 1987 Stock Option Plan expired during fiscal 2003 and no shares are available for future grants under this plan.

Information regarding the 1987 Plan for the three years ended October 31, 2004 is as follows:

<TABLE>
<CAPTION>

	Shares	Current Weighted Average Exercise Price Per Share
<S>	<C>	<C>
Shares Under Option and Exercisable at October 31, 2001	449,000	\$5.63
Expired	(140,000)	\$5.63
Shares Under Option and Exercisable at October 31, 2002	309,000	\$5.63

Expired (309,000) \$5.63

Shares Under Option and Exercisable at October 31, 2003 - \$ -

</TABLE>

On July 14, 1993, our shareholders approved the 1993 Plan. The 1993 Plan was amended as of May 3, 1995 and May 10, 1996 to, among other things, increase the number of shares available for issuance thereunder from 6,000,000 shares to 20,000,000 shares, after giving consideration to stock splits. The 1993 Plan provided for the granting of incentive stock options and stock appreciation rights to key employees, and non-qualified stock options and stock appreciation rights to key employees and consultants of the Company. The 1993 Plan was administered by the Stock Option Committee, which determined the option price, term and provisions of each option. Since June 2004, the 1993 Plan has been administered by the Board of Directors. However, the purchase price of shares issuable upon the exercise of incentive stock options could not be less than the fair market value of such shares and incentive stock options are not exercisable for more than 10 years. Upon approval of the 2000 Share Plan by our shareholders in July 2000, the 1993 Plan was terminated with respect to the grant of future options.

F-14

COPYTELE, INC.

NOTES TO FINANCIAL STATEMENTS

Information regarding the 1993 Plan for the three years ended October 31, 2004 is as follows:

<TABLE>
<CAPTION>

	Shares	Current Weighted Average Exercise Price Per Share
<S>	<C>	<C>
Shares Under Option at October 31, 2001	10,876,780	\$4.23
Canceled	(80,000)	\$3.94
Shares Under Option at October 31, 2002	10,796,780	\$4.26
Canceled	(1,973,000)	\$6.37
Shares Under Option at October 31, 2003	8,823,780	\$3.79
Canceled	(956,700)	\$4.40
Shares Under Option and Exercisable at October 31, 2004	7,867,080	\$3.72

</TABLE>

The following table summarizes information about stock options outstanding under the 1993 Plan as of October 31, 2004:

<TABLE>
<CAPTION>

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at 10/31/04	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 10/31/04	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
\$0.84 to \$1.96	1,126,500	3.45	\$1.22	1,126,500	\$1.22
\$2.28 to \$3.16	885,000	3.58	\$2.31	885,000	\$2.31
\$3.31 to \$4.81	5,460,580	1.80	\$4.27	5,740,580	\$4.27
\$5.75 to \$6.38	395,000	1.88	\$6.38	845,000	\$6.38

</TABLE>

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

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

The 2000 Share Plan was administered by the Stock Option Committee through June 2004 and since that date has been administered by the Board of Directors, which determines the option price, term and provisions of each option; however, the purchase price of shares issuable upon the exercise of

incentive stock options will not be less than the fair market value of such shares and incentive stock options will not be exercisable for more than 10 years.

F-15

COPYTELE, INC.

NOTES TO FINANCIAL STATEMENTS

Information regarding the 2000 Share Plan for the three years ended October 31, 2004 is as follows:

<TABLE>
<CAPTION>

	Shares	Current Weighted Average Exercise Price Per Share
<S>	<C>	<C>
Shares Under Option at October 31, 2001	3,609,966	\$0.70
Granted	60,000	\$0.34
Canceled	(50,000)	\$0.75
Exercised	(20,000)	\$0.40
Shares Under Option at October 31, 2002	3,599,966	\$0.70
Granted	910,000	\$0.23
Canceled	(235,000)	\$0.63
Exercised	(995,500)	\$0.25
Shares Under Option at October 31, 2003	3,279,466	\$0.71
Canceled	(39,500)	\$1.14
Exercised	(387,500)	\$0.45
Shares Under Option and Exercisable at October 31, 2004	2,852,466	\$0.74

</TABLE>

The following table summarizes information about stock options outstanding under the 2000 Share Plan as of October 31, 2004:

<TABLE>
<CAPTION>

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at 10/31/04	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 10/31/04	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
\$0.15 - \$0.40	990,000	6.65	\$0.40	990,000	\$0.40
\$0.44 - \$0.94	825,466	6.05	\$0.71	825,466	\$0.71
\$1.00 - \$1.38	1,037,000	5.82	\$1.08	1,067,000	\$1.08

</TABLE>

The exercise price with respect to all of the options granted under the 2000 Share Plan since its inception, was equal to the fair market value of the underlying common stock at the grant date. As of October 31, 2004, 773 shares were available for future grants under the 2000 Share Plan.

The 2003 Share Plan provides for the grant of nonqualified stock options, stock appreciation rights, stock awards, performance awards and stock units to key employees and consultants of the Company. The maximum number of shares of common stock available for issuance under the 2003 Share Plan initially was 15,000,000 shares. On October 8, 2004, the 2003 Plan was amended by our Board of Directors to increase the maximum number of shares of common stock that may be granted to 30,000,000 shares. Current and future non-employee directors are automatically granted nonqualified stock options to purchase 60,000 shares of common stock upon their initial election to the Board of Directors and at the time of each subsequent annual meeting of our shareholders at which they are elected to the Board of Directors. The 2003 Share Plan was administered by the Stock Option Committee through June 2004 and since that date has been administered by the Board of Directors, which determines the option price, term and provisions of each option.

F-16

COPYTELE, INC.

NOTES TO FINANCIAL STATEMENTS

Information regarding the 2003 Share Plan for the two years ended October 31, 2004 is as follows:

<TABLE>
<CAPTION>

	Shares	Current Weighted Average Exercise Price Per Share
<S>	<C>	<C>
Shares Under Option at October 31, 2002	-	\$ -

Granted	6,470,000	\$0.29
Exercised	(3,051,000)	\$0.29

Shares Under Option at October 31, 2003	3,419,000	\$0.30
Granted	5,775,000	\$0.80
Exercised	(1,849,000)	\$0.56

Shares Under Option at October 31, 2004	7,345,000	\$0.63
=====		
Options Exercisable at October 31, 2004	7,285,000	\$0.62
=====		

</TABLE>

The following table summarizes information about stock options outstanding under the 2003 Share Plan as of October 31, 2004:

<TABLE>

<CAPTION>

		Options Outstanding			Options Exercisable		
		Number	Weighted	Weighted	Number	Weighted	
		Outstanding	Average	Average	Outstanding	Average	
		at 10/31/04	Remaining	Exercise Price	at 10/31/04	Exercise Price	
			Contractual Life				
Range of Exercise Prices							
<S>	<C> <C>	<C>	<C>	<C>	<C>	<C>	
	\$0.25-\$0.46	3,408,000	8.26	\$0.29	3,408,000	\$0.29	
	\$0.51-\$0.75	586,000	9.01	\$0.57	586,000	\$0.57	
	\$0.81-\$1.07	3,351,000	9.58	\$0.92	3,291,000	\$0.92	

</TABLE>

The exercise price with respect to all of the options granted under the 2003 Share Plan since its inception, was equal to the fair market value of the underlying common stock at the grant date. As of October 31, 2004, 12,566,129 shares were available for future grants under the 2003 Share Plan.

10. INVESTIGATION AND RECOVERY EFFORTS REGARDING MISAPPROPRIATED FUNDS

During fiscal 2004 and the first month of fiscal 2005, a former employee embezzled approximately \$185,000 in cash of which approximately \$10,000 relates to fiscal 2005. Subsequent to October 31, 2004, we recovered approximately \$110,000 of such loss through insurance proceeds, of which approximately \$100,000 is recorded as other current assets on the accompanying balance sheet as of October 31, 2004. We have also recorded a charge to expense in fiscal 2004 of approximately \$75,000 related to this matter. During fiscal 2003 and 2002 the former employee committed additional fraudulent activities aggregating approximately \$25,000, which were expensed during such fiscal periods. We will seek additional recoveries from other parties which, if we are successful in recovering additional amounts, will be recorded as recoveries in future periods when they are received.

F-17

COPYTELE, INC.

NOTES TO FINANCIAL STATEMENTS

11. COMMITMENTS AND CONTINGENCIES

LEASES

We lease space at our principal location for office and laboratory research facilities. The current lease is for approximately 12,000 square feet and expires on November 30, 2008. The lease contains base rentals of approximately \$255,000 per annum with a 3% annual increase and an escalation clause for increases in certain operating costs. We have the right to cancel a portion or the entire lease as of May 31, 2006. This lease does not contain provisions for its renewal.

Rent expense for the years ended October 31, 2004, 2003 and 2002, was approximately \$247,000, \$235,000 and \$250,000, respectively.

As of October 31, 2004, our noncancelable operating lease commitments are as follows:

2005	\$ 255,000
2006	153,000

	\$ 408,000

CONSULTING AGREEMENT

In addition, as of October 31, 2004 we had commitments under a consulting agreement of approximately \$45,000 payable during the first quarter of fiscal 2005.

12. EMPLOYEE PENSION PLAN

We adopted a noncontributory defined contribution pension plan,

effective November 1, 1983, covering all of our present employees. Contributions, which are made to a trust and have been funded on a current basis, are based upon specified percentages of compensation, as defined in the plan. During fiscal 2001, we amended the plan to suspend benefit accruals as of November 1, 2000. Accordingly, we did not incur any pension expense for the fiscal years ended October 31, 2004, 2003 and 2002.

F-18

COPYTELE, INC.

NOTES TO FINANCIAL STATEMENTS

13. INCOME TAXES

Income tax provision (benefit) consists of the following:

<TABLE>
<CAPTION>

	Year Ended October 31,		
	2004	2003	2002
Federal:			
<S> Current	<C> -	<C> -	<C> -
Deferred	\$ (1,383,000)	\$ (1,499,000)	\$ (19,000)
State:			
Current	-	-	-
Deferred	(203,000)	(220,000)	(3,000)
Adjustment to valuation allowance related to net deferred tax assets	1,586,000	1,719,000	22,000
	\$ -	\$ -	\$ -

</TABLE>

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset, net, at October 31, 2004 and 2003, are as follows:

<TABLE>
<CAPTION>

	2004	2003
Long-term deferred tax assets:		
<S> Other assets	<C> \$ 1,128,000	<C> \$ 1,128,000
Federal and state NOL and tax credit carryforwards	35,673,000	34,147,000
Other	102,000	42,000
Subtotal	36,903,000	35,317,000
Less: valuation allowance	(36,903,000)	(35,317,000)
Deferred tax asset, net	\$ -	\$ -

</TABLE>

As of October 31, 2004, we had tax net operating loss and tax credit carryforwards of approximately \$84,249,000 and \$1,840,000, respectively, available, within statutory limits (expiring at various dates between 2005 and 2024), to offset any future regular Federal corporate taxable income and taxes payable. If the tax benefits relating to deductions of option holders' income are ultimately realized, those benefits will be credited directly to additional paid-in capital. Certain changes in stock ownership can result in a limitation on the amount of net operating loss and tax credit carryovers that can be utilized each year.

We had tax net operating loss and tax credit carryforwards of approximately \$84,322,000 and \$128,000, respectively, as of October 31, 2004, 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 2005 and 2024 and the tax credit carryforwards expire between 2005 and 2024.

During the three years ended October 31, 2004, we incurred no Federal and no State income taxes.

F-19

COPYTELE, INC.

NOTES TO FINANCIAL STATEMENTS

14. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

While there were no formal agreements, our Chairman of the Board and Chief Executive Officer and our President waived any and all rights to receive salary and related pension benefits commencing November 1985 through October 31, 2003. For the year ended October 31, 2004, our Chairman of the Board and Chief Executive Officer received salary in the amount of approximately \$135,000 in the form of common stock and our President received salary in the amount of approximately \$37,000 in cash. From 1987 through July 31, 2003, three other senior level personnel also waived salary and related pension benefits. Commencing in August 2003, the three senior level personnel began receiving compensation in the form of salary, which in the aggregate approximated \$289,000 and \$57,000 for the years ended October 31, 2004 and 2003, respectively.

15. SEGMENT INFORMATION

We follow the provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"). Reportable operating segments are determined based on management's approach. The management approach, as defined by SFAS No. 131, is based on the way that the chief operating decision-maker organizes the segments within an enterprise for making operating decisions and assessing performance. While our results of operations are primarily reviewed on a consolidated basis, the chief operating decision-maker also manages the enterprise in two segments: (i) Flat-panel display and (ii) Encryption products and services. The following represents selected financial information for our segments for the years ended October 31, 2004, 2003 and 2002:

<TABLE>
<CAPTION>

Segment Data	Flat-Panel Display	Encryption Products and Services	Total
Year Ended October 31, 2004:			
<S>	<C>	<C>	<C>
Revenues	\$ --	\$ 494,462	\$ 494,462
Net loss	(1,773,282)	(1,587,373)	(3,360,655)
Depreciation	8,192	8,805	16,997
Interest income	2,010	2,323	4,333
Stock awards granted to employees and consultants pursuant to stock incentive plans	855,991	992,726	1,848,717
Total assets	563,363	1,752,687	2,316,050
Additions to long-lived assets	7,520	8,082	15,602

F-20

COPYTELE, INC.

NOTES TO FINANCIAL STATEMENTS

<TABLE>
<CAPTION>

Segment Data	Flat-Panel Display	Encryption Products and Services	Total
Year Ended October 31, 2003:			
<S>	<C>	<C>	<C>
Revenues	\$ --	\$ 224,221	\$ 224,221
Net income (loss)	(1,812,624)	(1,301,787)	(3,114,411)
Depreciation	18,534	14,549	33,083
Interest income	2,615	2,053	4,668
Stock awards granted to employees and consultants pursuant to stock incentive plans	906,549	745,588	1,652,137
Total assets	625,774	1,704,717	2,330,491
Additions to long-lived assets	980	--	980
Year Ended October 31, 2002:			
Revenues	\$ 4,541,667	\$ 645,027	\$ 5,186,694
Net income (loss)	1,800,365	(5,085,605)	(3,285,240)
Depreciation	29,676	56,795	86,471
Interest income	8,067	15,439	23,506
Impairment loss on commercial trade barter credits	--	2,820,800	2,820,800
Stock awards granted to employees and consultants pursuant to stock incentive plans	451,997	976,207	1,428,204
Total assets	355,061	2,376,448	2,731,509
Additions to long-lived assets	13,236	25,331	38,567

</TABLE>

F-21

COPYTELE, INC.

NOTES TO FINANCIAL STATEMENTS

GEOGRAPHIC INFORMATION

We generate revenue both domestically (United States) and internationally. International revenues are based on the country in which our customer (distributor) is located. For the years ended October 31, 2004, 2003 and 2002, and as of each respective year-end, sales and accounts receivable by geographic area are as follows:

Geographic Data	2004	2003	2002
Revenue:			
<S>	<C>	<C>	<C>
United States	\$479,621	\$ 199,810	\$ 622,144
Japan	--	--	4,541,667
Other international	14,871	44,401	22,883
	\$494,492	\$ 244,211	\$5,186,694
Accounts receivable, net:			
United States	\$ 63,460	\$ 37,600	\$ 68,177
International	--	3,900	9,603
	\$ 63,460	\$ 41,500	\$ 77,780

16. QUARTERLY RESULTS AND SEASONALITY (UNAUDITED)

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

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Year Ended October 31, 2004:				
Income Statement Data:				
<S>	<C>	<C>	<C>	<C>
Revenue	\$ 39,000	\$ 101,804	\$ 216,447	\$ 137,211
Gross profit	24,401	70,105	133,227	90,617
Net loss	(809,354)	(694,900)	(1,034,212)	(822,189)
Net loss per share of common stock- basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Year Ended October 31, 2003:				
Income Statement Data:				
Revenue	\$ 91,339	\$ 21,743	\$ 83,240	\$ 47,899
Gross profit	29,314	6,083	52,743	(19,863)
Net income (loss)	(804,596)	(970,024)	(650,765)	(689,026)
Net loss per share of common stock- basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

F-22

COPYTELE, INC.
SCHEDULE II

S-1

VALUATION AND QUALIFYING ACCOUNTS
FOR THE FISCAL YEARS ENDED OCTOBER 31, 2004, 2003 AND 2002

	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
Description	Balance at beginning of period	Additions Charged to costs and expenses	Deductions (1)	Balance at end of period	
2004					
<S>	<C>	<C>	<C>	<C>	
Allowance for doubtful accounts	\$ 159,230	\$ -	\$ 9,775	\$ 149,455	
Reserve against Other receivables	\$ 181,952	\$ -	\$ 73,159	\$ 108,793	
2003					
Allowance for doubtful accounts	\$ 325,505	\$ 23,056	\$ 189,331	\$ 159,230	
Reserve against Other receivables	\$ -	\$ 181,952	\$ -	\$ 181,952	
2002					
Allowance for doubtful accounts	\$ 240,000	\$ 155,505	\$ 70,000	\$ 325,505	

(1) Represents write-offs of reserved balances or reductions in allowances previously provided.

This schedule should be read in conjunction with the accompanying financial statements and notes thereto.

S-1

EXHIBIT INDEX

- 3.1 Certificate of Incorporation, as amended. (Incorporated by reference to Form 10-Q for the fiscal quarter ended July 31, 1992 and to Form 10-Q for the fiscal quarter ended July 31, 1997.)
- 3.2 By-laws, as amended and restated. (Incorporated by reference to Post-Effective Amendment No. 1 to Form S-8 (Registration No. 33-49402) dated December 8, 1993.)
- 3.3 Amendment to By-laws. (Incorporated by reference to Form 10-Q for the fiscal quarter ended January 31, 2003.)
- 10.1 CopyTele, Inc. 1993 Stock Option Plan, adopted on April 28, 1993 and approved by shareholders on July 14, 1993. (Incorporated by reference to Proxy Statement dated June 10, 1993.)
- 10.2 Amendment No. 1 to the CopyTele, Inc. 1993 Stock Option Plan, adopted on May 3, 1995 and approved by shareholders on July 19, 1995. (Incorporated by reference to Form S-8 (Registration No. 33-62381) dated September 6, 1995.)
- 10.3 Amendment No. 2 to the CopyTele, Inc. 1993 Stock Option Plan, adopted on May 10, 1996 and approved by shareholders on July 24, 1996. (Incorporated by reference to Form 10-Q for the fiscal quarter ended April 30, 1996.)
- 10.4 Agreement dated March 3, 1999 between Harris Corporation and CopyTele, Inc. (Incorporated by reference to Form 10-Q for the fiscal quarter ended January 31, 1999.)
- 10.5 Stock Subscription Agreement dated April 27, 1999, including form of Warrant, between CopyTele, Inc. and Lewis H. Titterton. (Incorporated by reference to Form 10-Q for the fiscal quarter ended April 30, 1999.)
- 10.6 Agreement dated July 28, 1999, among CopyTele, Inc., Harris Corporation and RF Communications. (Incorporated by reference to Form 8-K dated July 28, 1999.)
- 10.7 Stock Subscription Agreement dated August 30, 1999, including form of Warrant, between CopyTele, Inc. and Lewis H. Titterton. (Incorporated by reference to Form 10-K for the fiscal year ended October 31, 1999.)
- 10.8 CopyTele, Inc. 2000 Share Incentive Plan. (Incorporated by reference to Annex A of our Proxy Statement dated June 12, 2000.)
- 10.9 Amendment No. 1 to the CopyTele, Inc. 2000 Share Incentive Plan, adopted on July 6, 2001 and approved by shareholders on August 16, 2001. (Incorporated by reference to Form 10-Q for the fiscal quarter ended July 31, 2001.)
- 10.10 Amendment No. 2 to the CopyTele, Inc. 2000 Share Incentive Plan, adopted on July 16, 2002 and approved by shareholders on September 12, 2002. (Incorporated by reference to Exhibit 4(e) to our Form S-8 (Registration No. 333-99717) dated September 18, 2002.)
- 10.11 Amendment, dated May 10, 2001, to the Joint Cooperation Agreement between CopyTele, Inc. and Volga Svet Ltd. (Incorporated by reference to Exhibit 10.14 to our Form 10-K for the fiscal year ended October 31, 2001.)
- 10.12 Letter Agreement between CopyTele, Inc. and Volga Svet Ltd., dated as of February 1, 2002. (Incorporated by reference to Exhibit 10.15 to our Form 10-K for the fiscal year ended October 31, 2001.)
- 10.13 CopyTele, Inc. 2003 Share Incentive Plan (Incorporated by reference to Exhibit 4 to our Form S-8 dated May 5, 2003).
- 10.14 Amendment No. 1 to the CopyTele, Inc. 2003 Share Incentive Plan (Incorporated by reference to Exhibit 4(e) to our Form S-8 dated November 9, 2005).

- 10.15 Form of Stock Option Agreement under CopyTele, Inc. 2003 Share Incentive Plan (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2004).
- 10.16 Form of Stock Award Agreement under CopyTele, Inc. 2003 Share Incentive Plan (Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2004).
- 10.17 Long Term Agreement dated April 2, 2004 between CopyTele, Inc. and Boeing Satellite Systems International, Inc., as modified September 16, 2004. (Previously Filed.)
- 23.1 Consent of Grant Thornton LLP. (Filed herewith.)
- 31.1 Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated January 18, 2005. (Filed herewith.)
- 31.2 Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated January 18, 2005. (Filed herewith.)
- 32.1 Statement of Chief Executive Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated January 18, 2005. (Filed herewith.)
- 31.2 Statement of Chief Financial Officer, pursuant to Section 1350 of Title 18 of the United States Code, dated January 18, 2005. (Filed herewith.)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated January 4, 2005, except for Note 10 as to which the date is January 12, 2005, accompanying the financial statements and schedule included in the Annual Report of CopyTele, Inc. on Form 10-K/A for the year ended October 31, 2004. Our report, which expresses an unqualified opinion, contains an explanatory paragraph that states CopyTele, Inc. incurred a net loss during the year ended October 31, 2004, and, as of that date, has an accumulated deficit, and among other factors raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We hereby consent to the incorporation by reference of said report in the Registration Statements of CopyTele, Inc. on Forms S-8 (Registration Nos. 33-72716, 33-62381, 33-16933, 33-53416, 33-69650, 33-99717, 33-105012 and 33-120333).

/s/ GRANT THORNTON LLP

Melville, New York
January 4, 2005, except for Note 10 as to
which the date is January 12, 2005

CERTIFICATION

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

1. I have reviewed this annual report on Form 10-K/A of CopyTele, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Denis A. Krusos

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

January 18, 2005

CERTIFICATION

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

1. I have reviewed this annual report on Form 10-K/A of CopyTele, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Henry P. Herms

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

January 18, 2005

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

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

1. The Company's Form 10-K/A Annual Report for the fiscal year ended October 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Denis A. Krusos

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

January 18, 2005

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

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

1. The Company's Form 10-K/A Annual Report for the fiscal year ended October 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Henry P. Herms

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

January 18, 2005