SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended April 30, 2000

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
(Address of principal executive offices)	(Zip Code)

(631) 549-5900

(Registrant's telephone number, including area code)

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

Yes X No

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

Number of shares of common stock, par value $.01 per share, outstanding as of June 7, 2000: 63,084,526 shares

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Item 1. Financial Statements

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COPYTELE,INC.

(Development Stage Enterprise)

CONDENSED BALANCE SHEETS

ASSETS	Unaudited April 30, 2000	October 31, 1999
<S>	<C>	<C>
CURRENT ASSETS:		
Cash (including cash equivalents and interest bearing accounts of $3,456,336 and $1,531,254, respectively)	$3,588,909	$1,587,830
Marketable securities, at cost	96,873	488,038
Inventory	4,360,349	4,538,608
Prepaid expenses and other current assets (including amounts due from Joint Venture of approximately $862,000)	1,264,098	929,099
Total current assets	9,310,229	7,543,575
PROPERTY AND EQUIPMENT, net	403,400	531,155
OTHER ASSETS	26,231	26,814
DEFERRED TAX BENEFITS (net of valuation allowance of $34,739,000 and $33,026,000, respectively)	-	-
	$9,739,860	$8,101,544
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable (including amounts due to Joint Venture of approximately $862,000)	$1,949,302	$1,546,494
Accrued liabilities	126,071	270,273
Total current liabilities	2,075,373	1,816,767
SHAREHOLDERS' EQUITY:		
Preferred stock, par value $100 per share; authorized 500,000 shares; no shares outstanding	-	-
Common stock, par value $.01 per share; authorized 240,000,000 shares; outstanding 62,941,276 and 60,057,376 shares, respectively	629,413	600,574
Additional paid-in capital	59,776,048	55,844,128
Accumulated (deficit) during development stage	(52,740,974)	(50,159,925)
	7,664,487	6,284,777
	$9,739,860	$8,101,544

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The accompanying notes to condensed financial statements are an integral part of these balance sheets.

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COPYTELE, INC.

(Development Stage Enterprise)

CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

	For the six months ended April 30,	For the period from November 5, 1982

	2000	1999	(Inception) through April 30, 2000
<S>	<C>	<C>	<C>
SALES	$698,392	$ -	$745,269
COST OF SALES	391,579	-	428,883
Gross profit	306,813	-	316,386
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (including research and development expenses of approximately $1,330,000, $1,479,000 and $32,804,000, respectively)	2,875,800	3,012,135	56,750,651
LOSS FROM AND IMPAIRMENT OF INVESTMENT IN JOINT VENTURE	64,040	113,095	1,289,040
INTEREST INCOME	51,978	96,775	4,982,331
NET LOSS	$(2,581,049)	$(3,028,455)	$(52,740,974)
NET LOSS PER SHARE OF COMMON STOCK: Basic and Diluted	$(0.04)	$(0.05)	$(1.10)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: Basic and Diluted	61,433,918	58,190,083	47,763,991

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

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COPYTELE, INC.

(Development Stage Enterprise)

CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

	For the three months ended April 30,	
	2000	1999
<S>	<C>	<C>
SALES	$421,600	$ -
COST OF SALES	184,514	-
Gross profit	237,086	-
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (including research and development expenses of approximately $689,000 and $751,000, respectively)	1,463,471	1,596,853
LOSS FROM AND IMPAIRMENT OF INVESTMENT IN JOINT VENTURE	54,000	44,467
INTEREST INCOME	33,990	43,948
NET LOSS	$(1,246,395)	$(1,597,372)
NET LOSS PER SHARE OF COMMON STOCK: Basic and Diluted	$(0.02)	$(0.03)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: Basic and Diluted	62,565,329	58,468,576

</TABLE>

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

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COPYTELE, INC.

(Development Stage Enterprise)

CONDENSED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM NOVEMBER 5, 1982 (INCEPTION) THROUGH APRIL 30, 2000 (UNAUDITED)

<S>	Common Stock Shares <C>	Common Stock Par Value <C>	Additional Paid-in Capital <C>	Accumulated (Deficit) During Development Stage <C>
BALANCE, November 5, 1982 (Inception)	-	$ -	$ -	$ -
Sale of common stock, at par, to incorporators on November 8, 1982	1,470,000	14,700	-	-
Sale of common stock, at $.10 per share, primarily to officers and employees from November 9, 1982 to November 30, 1982	390,000	3,900	35,100	-
Sale of common stock, at $2 per share, in private offering from January 24, 1983 to March 28, 1983	250,000	2,500	497,500	-
Sale of common stock, at $10 per share, in public offering on October 6, 1983, net of underwriting discounts of $1 per share	690,000	6,900	6,203,100	-
Sale of 60,000 warrants to representative of underwriters, at $.001 each, in conjunction with public offering	-	-	60	-
Costs incurred in conjunction with private and public offerings	-	-	(362,030)	-
Common stock issued, at $12 per share, upon exercise of 57,200 warrants from February 5, 1985 to October 16, 1985, net of registration costs	57,200	572	630,845	-
Proceeds from sales of common stock by individuals from January 29, 1985 to October 4, 1985 under agreements with the Company, net of costs incurred by the Company	-	-	298,745	-
Restatement as of October 31, 1985 for three-for-one stock split	5,714,400	57,144	(57,144)	-
Common stock issued, at $4 per share, upon exercise of 2,800 warrants in December 1985	8,400	84	33,516	-
Sale of common stock, at market, to officers on January 9, 1987 and April 22, 1987 and to members of their immediate families on July 28, 1987	67,350	674	861,726	-
Restatement as of July 31, 1987 for five-for-four stock split	2,161,735	21,617	(21,617)	-
Fractional share payments in conjunction with five-for-four stock split	-	-	(1,345)	-
Sale of common stock, at market, to members of officers' immediate families from September 10,1987 to December 4, 1990 and to officers on October 29, 1987 and February 26, 1989	628,040	6,280	6,124,031	-
Sale of common stock, at market, to senior level personnel on February 26, 1989	29,850	299	499,689	-

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<S>	Common Stock Shares <C>	Common Stock Par Value <C>	Additional Paid-in Capital <C>	Accumulated (Deficit) During Development Stage <C>
Sale of common stock, at market, to unrelated party on February 26, 1989 amended on March 10, 1989	35,820	358	599,627	-
Restatement as of January 31, 1991 for two-for-one stock split	11,502,795	115,028	(115,028)	-
Sale of common stock, at market, to members of officers' immediate families from April 26, 1991 to October 27, 1992	261,453	2,615	2,788,311	-
Common stock issued upon exercise of warrants by members of officers' immediate families on various dates from September 1993 through March 1996	579,800	5,798	2,651,462	-
Common stock issued upon exercise of stock options from December 16, 1992 to June 12, 1996	4,535,340	45,353	28,197,223	-

Restatement as of June 17, 1996 for two-for-one stock split	28,382,183	283,822	(283,822)	-
Common stock issued upon exercise of warrants by members of officers' immediate families on various dates in July and October, 1996, and March 1997	206,610	2,066	1,062,167	-
Common stock issued upon purchase of equipment	15,000	150	74,850	-
Common stock issued upon exercise of stock options from July 1996 to October 1999 under stock option plans, net of registration costs	1,771,400	17,714	4,414,412	-
Sale of common stock, at market, to a related party and other unrelated parties in April and September, 1999	1,300,000	13,000	1,461,500	-
Stock options granted to consultants	-	-	385,700	-
Common stock issued upon exercise of stock options from November 1999 to April 2000 under stock option plans	2,267,400	22,674	3,003,050	-
Sale of common stock, at market, to unrelated parties in January and March 2000, net of listing fees	616,500	6,165	794,420	-
Accumulated (deficit) during development stage	-	-	-	(52,740,974)
BALANCE, April 30, 2000	62,941,276	$629,413	$59,776,048	$(52,740,974)

</TABLE>

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

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COPYTELE, INC.

(Development Stage Enterprise)

CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

<S>	For the six months ended April 30, 2000 <C>	For the six months ended April 30, 1999 <C>	For the period from November 5, 1982 (Inception) through April 30, 2000 <C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers, employees and consultants	$(2,583,142)	$(2,729,146)	$(58,344,996)
Cash received from customers	311,683	-	358,560
Interest received	60,506	87,165	4,981,341
Net cash used in operating activities	(2,210,953)	(2,641,981)	(53,005,095)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(5,442)	(24,455)	(2,028,884)
Disbursements to acquire certificates of deposit and marketable securities	(96,873)	(489,444)	(13,630,910)
Proceeds from maturities of investments	488,038	-	13,534,037
Investment made in Joint Venture	-	-	(1,225,000)
Net cash provided by (used in) investing activities	385,723	(513,899)	(3,350,757)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from sales of common stock and warrants, net of underwriting discounts of $690,000 related to initial public offering in October 1983	-	-	17,647,369
Proceeds from exercise of stock options and warrants, net of registration costs	3,025,724	891,600	40,086,937
Proceeds from sales of common stock in private placements, net of listing fees	800,585	600,000	2,275,085
Proceeds from sales of common stock by individuals under agreements with the Company, net of disbursements made by the Company	-	-	298,745
Disbursements made in conjunction with sales of stock	-	-	(362,030)
Fractional share payments in conjunction with stock split	-	-	(1,345)
Net cash provided by financing activities	3,826,309	1,491,600	59,944,761
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,001,079	(1,664,280)	3,588,909
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,587,830	5,406,017	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$3,588,909	$3,741,737	$3,588,909

Continued

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COPYTELE, INC.

(Development Stage Enterprise)

CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

Continued

<S> <C> <C> <C>

	For the six months ended April 30, 2000	For the six months ended April 30, 1999	For the period from November 5, 1982 (Inception) through April 30, 2000
RECONCILIATION OF NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:			
Net loss	$(2,581,049)	$(3,028,455)	$(52,740,974)
Loss from Joint Venture	-	113,095	1,139,828
Stock option compensation to consultants	134,450	61,650	385,700
Depreciation and amortization	133,198	139,442	1,775,868
Impairment of investment in Joint Venture	-	-	85,172
Impairment of amounts due from Joint Venture	-	-	1,407,461
Decrease (increase) in inventory	178,259	(104,412)	(4,360,349)
(Increase) decrease in prepaid expenses and other current assets	(334,999)	228,509	(1,264,098)
Decrease (increase) in long term amount due from Joint Venture	-	110,858	(1,407,461)
Decrease (increase) in other assets	583	(5,494)	(26,231)
Increase (decrease) in accounts payable and accrued liabilities	258,605	(157,174)	1,999,989
Net cash used in operating activities	$(2,210,953)	$(2,641,981)	$(53,005,095)

</TABLE>

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

COPYTELE, INC.

(Development Stage Enterprise)

NOTES TO CONDENSED FINANCIAL STATEMENTS

APRIL 30, 2000 (UNAUDITED)

(1) Nature of business and other disclosures:

Organization

CopyTele, Inc. (the "Company"), which was incorporated on November 5, 1982 (Inception), is a development stage enterprise whose principal activities include the development, production and marketing of multi-functional encryption and telecommunications products under the Cryptele(TM) brand name. The first encryption products the Company has produced under the Cryptele(TM) brand name product line are the USS-900 (Universal Secure System) and the SCS-700 (Secure Communication System). The USS-900 is a hardware-based peripheral digital encryption system which incorporates the Harris Corporation digital cryptographic chip - the Citadel(TM) - and "triple DES" software to provide high-grade information encryption. The SCS-700 combines the USS-900 with a modified version of the Magicom(R) 2000, the Company's first developed product, to provide a secure telephone-based multi-functional telecommunications system incorporating the Company's E-Paper(TM) flat panel display technology. The Company is also continuing its research and development activities for additional encryption products and flat panel display technologies in addition to its ultra-high resolution charged particle E-Paper(TM) flat panel display.

Shanghai CopyTele Electronics Co., Ltd. (the "Joint Venture" or "Shanghai CopyTele"), the Company's 55% owned joint venture in Shanghai, China, was established in 1995 to produce and market the Magicom(R) 2000 for the Company.

Realizability of Assets

Management has recorded the Company's inventory at its current best estimate of net realizable value, which is based upon the historic and future selling prices of the Company's Magicom(R) 2000 units as packaged in the SCS-700, and the USS-900. To date, sales of the Company's product have been limited. Accordingly, there can be no assurance that the Company will not be required to further reduce the selling price of its inventory below its current carrying value in order to accomplish the Company's business strategies.

In addition, the Company's advances to Shanghai CopyTele have funded the purchase of inventory components to manufacture the Magicom(R) 2000. Due to the uncertainty of realizing the amounts due from Shanghai CopyTele, the Company has reserved for approximately $1,407,000 of this amount at April 30, 2000 and October 31, 1999, which is shown net in the accompanying financial statements.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, "Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", the Company recognized a permanent impairment charge at October 31, 1999 in the amount of $85,172 on its previously recorded investment in Joint Venture, due to the uncertainty of Shanghai CopyTele generating enough future undiscounted cash flows to cover the carrying amount of the investment.

The success and profitability of the Company's products will depend upon many factors, many of which are beyond the Company's control. These factors include the capability of the Company to market its products, the Company's continuing ability to purchase the encryption chip for use in the USS-900, the production capability of the Company and its suppliers as required, long-term product performance and the capability of the Company's dealers and distributors to adequately service the Company's products, the ability of the Company to maintain an acceptable pricing level to its customers for its products, the ability of suppliers to meet the Company's requirements and schedule, the Company's ability to obtain adequate supplies of substrates for the SCS-700, the Company's ability to successfully develop its new products under development, rapidly changing consumer preference, and the possible development of competitive products that could render the Company's products obsolete or unmarketable.

Basis of Presentation

The condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The information contained herein is for the six and three month periods ended April 30, 2000 and 1999, and for the period from November 5, 1982 (Inception) through April 30, 2000. In the opinion of the Company, all adjustments (consisting only of normal recurring adjustments considered necessary for a fair presentation of the results of operations for such periods) have been included herein.

The results of operations for interim periods may not necessarily reflect the annual operations of the Company. Reference is made to the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1999, for more extensive disclosures than contained in these condensed financial statements.

Amounts Due from Joint Venture

The amounts due from the Joint Venture of approximately $862,000 as of April 30, 2000 and October 31, 1999, represents advances for parts inventory, such as the flat panel assembly components, purchased by the Company on behalf of Shanghai CopyTele, which are incorporated into the Magicom(R) 2000 product.

(2) Joint Venture:

Investment in Joint Venture

Due to the uncertainty of realizability of its investment, the Company recognized a permanent impairment charge in fiscal 1999 against the carrying value of this investment. The Company is not legally liable for the obligations of the Joint Venture beyond its initial cash capital contribution of $1,225,000. Therefore, the Company has discontinued recording its share of any of the Joint Venture's losses since October 31, 1999. Should the Joint Venture subsequently report income, the Company will begin accruing income only after the cumulative income exceeds the unrecorded losses and original investment. Any additional investments in Shanghai CopyTele by the Company will be directly expensed to the statement of operations.

The Company controls four of seven votes of the Joint Venture's board of directors. However, decisions involving the Joint Venture require either a unanimous or two-thirds vote of the Joint Venture's board of directors. Since the Company has significant influence over the Joint Venture's operations but does not have control, the Company has historically reflected its investment in the Joint Venture under the equity method of accounting.

The Company has contributed an aggregate of $1,225,000 in cash to Shanghai CopyTele, and technology that has been valued for purposes of the Joint Venture at $700,000. Shanghai CopyTele does not reflect the $700,000 in technology as an asset or equity investment in their financial statements. The other parties to the Joint Venture have contributed cash aggregating $1,575,000.

Condensed Statements of Operations for Shanghai CopyTele for the six month periods ended April 30, 2000 and 1999 are as follows:

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	Condensed Statements of Operations (Unaudited) For the six months ended April 30,	
	2000	1999
<S>	<C>	<C>

Net Sales	$ -	$ -
Operating Loss	(80,799)	(166,684)
Other Expense, net	(39,735)	(38,943)
Net Loss	$(120,534)	$(205,627)

</TABLE>
The cumulative net loss incurred by Shanghai CopyTele since its inception on April 10, 1995 is $2,192,948.

(3) Shareholders' Equity:

Stock option plans:

The Company has two stock option plans, the 1987 Stock Option Plan, adopted by the Board of Directors on April 1, 1987 (the "1987 Plan"), and the CopyTele, Inc. 1993 Stock Option Plan, adopted by the Board of Directors on April 28, 1993, and amended on May 3, 1995 and May 10, 1996 (the "1993 Plan"). The 1987 Plan has been terminated other than with respect to outstanding stock options thereunder.

SFAS No. 123, "Accounting for Stock Based Compensation", encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to continue to account for stock-based employee compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees", and related interpretations. Compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock. In accordance with APB Opinion No. 25, no compensation cost has been recognized by the Company, as all option grants to employees have been made at the fair market value of the Company's stock on the date of grant.

Options granted to non-employee consultants are accounted for using the fair-value method required by SFAS No. 123. Compensation expense recognized in the six month periods ended April 30, 2000 and 1999 were $134,450 and $61,650, respectively, and in the three month periods ended April 30, 2000 and 1999 were $28,600 and $0, respectively, and are included in general and administrative expenses for the periods.

Sales of common stock and issuance of warrants:

On April 30, 1999, the Company sold 400,000 shares of its common stock in two private placements at a price of $1.50 per share, or an aggregate of $600,000, of which 300,000 shares were sold to an individual who became a director of the Company in July 1999. In conjunction with the sales of common stock, the Company issued warrants to purchase 400,000 shares of common stock at an exercise price of $1.50 per share, which expire on April 30, 2001.

On September 8, 1999, the Company sold 900,000 shares of common stock in six private placements at a price of $1.00 per share, or an aggregate of $900,000, of which 200,000 shares were sold to a director of the Company. In conjunction with the sales of common stock, the Company issued warrants to purchase 900,000 shares of common stock at an exercise price of $1.00 per share, which expire on September 8, 2001.

On January 5, 2000, the Company sold 420,000 shares of common stock in a private placement at a price of $0.844 per share, or an aggregate of $354,480. In conjunction with the sales of common stock, the Company issued warrants to purchase 420,000 shares of common stock at an exercise price of $0.844 per share, which expire on January 5, 2002.

In March 2000, the Company sold 196,500 shares of its common stock in three private placements at a price of $2.313 per share, or an aggregate of $454,505. In conjunction with the sales of common stock, the Company issued warrants to purchase 196,500 shares of common stock at an exercise price of $2.313 per share, which expire in March 2002.

As of April 30, 2000, all of the aforementioned warrants to purchase shares of common stock issued and outstanding were exercisable. At April 30, 1999, there were no outstanding warrants.

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

Forward-Looking Statements

Information included in this Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical facts, but rather reflect our current expectations concerning future events and results. We generally use the words "believes", "expects", "intends", "plans", "anticipates", "likely", "will", and similar expressions to identify forward-looking statements. These forward-looking statements are subject to risks and uncertainties and other factors, some of which are beyond our control, that could cause actual results to differ materially from those forecast or anticipated in the forward-looking statements. These risks, uncertainties and factors include, but are not limited to, those factors set forth in "General Risks and Uncertainties" below and Note 1 to the Company's Financial Statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1999.

General

We have been a development stage company since our inception on November 5, 1982. Our principal activities include the development, production and marketing of USS-900, a hardware-based peripheral digital encryption device, and the SCS-700, which combines the USS-900 with a modified Magicom(R) 2000 to provide a secure telephone-based multi-functional telecommunications product incorporating our E-Paper(TM) flat panel display technology. We are also continuing our research and development activities for additional encryption products, and other ultra-high resolution flat panel displays, including video and color displays and coated particles. We cannot assure you, however, that our efforts in these areas will be successful. We also cannot assure you that we will generate significant revenues in the future, that we will have sufficient revenues to generate profit or that other products will not be produced by other companies that will render our products obsolete or unmarketable.

The USS-900 uses the Harris Corporation digital cryptographic chip - the Citadel(TM) CCX - and "triple DES" software which are capable of providing high-grade information encryption. Harris is supplying the chip under a three year agreement at a negotiated price. Triple DES is an algorithm available in the public domain which has been incorporated into our software. Triple DES is used by many U.S. government agencies. We are producing the USS-900 with the assistance of a U.S.-based sub-contractor. Shanghai CopyTele has produced the modified Magicom(R) 2000 for the SCS-700 system. Shanghai CopyTele also supplied us with a portion of the electronic components, sub-assemblies and accessories for the USS-900.

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

Results of Operations

We sell our USS-900 and SCS-700 products to end-users directly and through a distributor/dealer network. We have had limited sales to our dealers, distributors and other customers to support our operations since our inception. We are currently recognizing revenue on our non-refundable sales. We are hopeful, although there is no assurance, that with an increased marketing effort for our existing products and our new products under development, we will procure sufficient sales during fiscal 2000 to emerge from the development stage.

Sales for the six and three month periods ended April 30, 2000 were approximately $698,000 and $422,000, respectively. No sales were recognized for the comparable periods in fiscal 1999. Cost of sales and gross profit were approximately $392,000 and $307,000, respectively for the six months ended April 30, 2000, and $185,000 and $237,000, respectively, for the three months ended April 30, 2000, with no amounts in the comparable six and three month fiscal 1999 periods. Selling, general and administrative expenses, excluding the loss from Shanghai CopyTele, for the six month periods ended April 30, 2000 and 1999, and for the period from November 5, 1982 (Inception) through April 30, 2000 were approximately $2,876,000, $3,012,000 and $56,751,000, respectively. These amounts include research, development and tooling costs of approximately $1,330,000, $1,479,000, and $32,804,000, respectively, as well as normal operating expenses. Selling, general and administrative expenses, excluding the loss from Shanghai CopyTele, for the three month periods ended April 30, 2000 and 1999 were approximately $1,463,000 and $1,597,000, respectively. These amounts include research, development and tooling costs of approximately $689,000 and $751,000, respectively, as well as normal operating expenses.

Selling, general and administrative expenses, excluding the loss from Shanghai CopyTele, decreased in the six month fiscal 2000 period by approximately $136,000, from approximately $3,012,000 in the fiscal 1999 period to approximately $2,876,000 in the fiscal 2000 period. Selling, general and administrative expenses, excluding the loss from Shanghai CopyTele, decreased in the three month fiscal 2000 period by approximately $134,000, from approximately $1,597,000 in the fiscal 1999 period to approximately $1,463,000 in the fiscal 2000 period. The decreases in the fiscal 2000 periods as compared to the comparable fiscal 1999 periods were principally the result of decreases in compensation costs, engineering supplies and expenditures for research and development for video and color flat panel displays in the fiscal 2000 periods as compared to the fiscal 1999 periods. These decreases were offset by increases in professional fees, marketing costs, and stock based compensation to consultants and a charge to earnings to bring the valuation of inventory in line with current estimates.

Employee compensation and related costs decreased in the aggregate during the fiscal 2000 periods as compared to the fiscal 1999 periods principally as a result of certain cost reductions offset in part by an increase in payroll taxes associated with employee stock option exercises. Decreases in pension costs were commensurate with the decreased compensation costs while other employee benefit programs expenses remained approximately the same with reductions in personnel offset by rate increases. Engineering supplies decreased in the fiscal 2000 periods as compared to the comparable fiscal 1999

periods primarily as a result of a reduction of component purchases to develop the USS-900 during the fiscal 1999 periods. Engineering service costs also decreased in the fiscal 2000 periods as compared to the comparable fiscal 1999 periods as a result of completing the development of the USS-900. Research and development costs for flat panel displays decreased in the aggregate during the fiscal 2000 periods as compared to the comparable fiscal 1999 periods principally as a result of lower costs incurred in connection with the development of our video and color displays. A charge to earnings of $250,000 was recorded in the fiscal quarter ending April 30, 2000 in order to bring the valuation of inventory in line with current estimates and for obsolete and spare parts.

Marketing costs increased in the fiscal 2000 periods as compared to the comparable fiscal 1999 periods as a result of increased advertising, trade show attendance and other promotions for the USS-900 and the SCS-700. However, travel and entertainment costs decreased in the fiscal 2000 periods as compared to the comparable fiscal 1999 periods due to less international travel. Professional fees were higher in the fiscal 2000 periods as compared to the comparable fiscal 1999 periods as a result of higher fees incurred for patent-related services and accounting services. Rents also increased during the fiscal 2000 periods as compared to the comparable fiscal 1999 periods as a result of the leasing of additional storage space. Insurance expense increased in the fiscal 2000 periods as a result of higher levels of coverage and the addition of one policy. Additional advances to Shanghai CopyTele were expensed in the fiscal 2000 periods. The non-cash charge to earnings for stock based compensation to consultants was higher in the fiscal 2000 periods as compared to the comparable fiscal 1999 periods.

Shanghai CopyTele's losses for the six month periods ended April 30, 2000 and 1999, and for the period from April 10, 1995 (Shanghai CopyTele's Inception) through April 30, 2000, were approximately $121,000, $206,000, and $2,193,000, respectively. The decrease in the loss for the six month fiscal 2000 period from the fiscal 1999 period of approximately $85,000 was primarily the result of further cost reductions and limited production activity with respect to producing panel assemblies and Magicom(R) 2000 for the SCS-700 product. Shanghai CopyTele is currently seeking products to produce in its facility. A permanent impairment charge was recognized on our investment in Shanghai CopyTele in the fiscal year ended October 31, 1999 due to the uncertainty of Shanghai CopyTele generating sufficient future undiscounted cash flows to cover the carrying amount of our investment.

While there is no formal agreement, our Chairman of the Board and our President have waived salary and related pension benefits for an undetermined period of time commencing November 1985. Four other individuals, including an officer and three senior level personnel, then employed by us, waived salary and related pension benefits from January 1987 through December 1990. While there are no formal agreements, commencing January 1991 these individuals waived such rights for an undetermined period of time and they did not receive salary or related pension benefits through December 1992. Our Chairman of the Board, our President and the three senior level personnel continued to waive such rights commencing in January 1993 for an undetermined period of time. From February 1993 to September 1998 one additional employee also waived such salary and benefit rights.

Interest income decreased approximately $45,000 from approximately $97,000 during the six month fiscal 1999 period as compared to approximately $52,000 during the six month fiscal 2000 period. Interest income also decreased $10,000 from approximately $44,000 during the three month fiscal 1999 period as compared to approximately $34,000 during the three month fiscal 2000 period. The decrease in the six and three month comparable periods resulted primarily from a decrease in average funds available for investment which was offset by a slight increase in interest rates. Funds available for investment, on a monthly weighted average basis, during the six month fiscal 2000 and 1999 periods were approximately $2,543,000 and $4,400,000, respectively, and $3,450,000 and $4,152,000, respectively, during the three month fiscal 2000 and 1999 periods. The investment instruments selected by us are principally money market accounts and treasury investments.

Liquidity and Capital Resources

Since our inception, we have met our liquidity and capital expenditure needs primarily from the proceeds of sales of our 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 pursuant to our 1987 Plan and our 1993 Plan.

During the six month period ended April 30, 2000, we received proceeds aggregating approximately $312,000 in payments from our customers for products sold. For the six month periods ended April 30, 2000 and 1999, we received proceeds aggregating approximately $3,026,000 and $891,600, respectively, from the exercise of stock options to purchase shares of our common stock. During the six month periods ended April 30, 2000 and 1999, we also received proceeds of approximately $809,000, and $600,000 from sales of our common stock in private placements. During the period from May 1, 2000 through June 7, 2000, we received proceeds aggregating approximately $356,000 in payments from our customers for products sold, and approximately $200,000 from the exercise of warrants. Working capital increased by approximately $1,508,000 from approximately $5,727,000 at October 31, 1999 to approximately $7,235,000 at April 30, 2000 as a result of the proceeds received during the period offset by the loss incurred for the period.

As of April 30, 2000, our working capital included approximately $3,686,000 of cash and marketable securities, and approximately $1,213,000 (net of approximately $862,000 due to Shanghai CopyTele) of accounts payable and accrued liabilities. Our operations used approximately $2,211,000 in cash during the six month period ended April 30, 2000. Based on reductions in operating expenses that have been made and additional reductions that may be implemented, if necessary, we believe that our cash resources, including cash received from May 1, 2000 to June 7, 2000, will be sufficient to continue operations into the third quarter of fiscal 2001. We anticipate that, thereafter, we will continue to require additional funds to continue our marketing, and research and development activities 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. The sale of additional equity securities or convertible debt could result in additional

dilution to our stockholders. We can give you 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 definitive arrangements with respect to additional financing.

Our estimated funding capacity indicated above assumes, although there is no assurance, that the waiver of salary and pension benefits by the Chairman of the Board, the President and senior level personnel will continue.

We are seeking to improve our liquidity through an increased level of sales of our products. In an effort to generate sales, we have commenced marketing the USS-900 in both the U.S. and international markets directly and through a network of large office equipment suppliers, security product organizations, distributors and dealers. We also have commenced marketing the SCS-700 system utilizing the Magicom(R) 2000, as modified to function as a secure communication system, to government agencies and units of the armed forces. We are hopeful, although we can give you no assurance, that by marketing the USS-900 encryption product and the modified Magicom(R) 2000 SCS-700 system, sales will continue to increase to improve our liquidity.

The NASD requires that we maintain a minimum of $4 million of net tangible assets to maintain our Nasdaq National Market listing. If our stock were delisted, the delisting could potentially have an adverse affect on the price of our common stock and could adversely affect the liquidity of the shares held by our stockholders. Our net tangible assets as of April 30, 2000 were approximately $7,664,000. We anticipate that we may require additional funds to maintain the NASD net tangible assets requirement if funds generated from operations are insufficient. We can give you no assurance that we will be able to generate adequate funds from operations, that funds will be available to us from equity financings, or that if available, we will be able to obtain such funds on favorable terms and conditions. We currently have no definitive arrangements with respect to additional equity financings.

Shanghai CopyTele required an initial aggregate capital investment of $3,500,000 from the parties to the joint venture. The Joint Venture Agreement contemplates an additional $3,500,000 of funding which may be borrowed from banks, of which approximately $990,000 has been borrowed to date. These short-term loans are from a Chinese bank, secured by the building and a land-use contract with the Land Administration Bureau of Shanghai County. We have contributed $1,225,000 in cash, and technology valued for the purposes of Shanghai CopyTele at $700,000, and the Chinese parties contributed $1,575,000 in cash to Shanghai CopyTele. Shanghai CopyTele may require additional capitalization depending upon the nature and extent of its business activities. We can give you no assurance that adequate funds will be available to Shanghai CopyTele, including any future capital contributions, if any, beyond its initial capital contributions or that, if available, Shanghai CopyTele will be able to obtain such funds on favorable terms and conditions.

We have recorded our inventory at management's current best estimate of its net realizable value, which is based upon the historic and future selling price of our products. To date, sales of our products have been limited. Accordingly, we can give you no assurance that we will not have to further reduce the selling prices of our inventory below its current carrying value to accomplish our business strategies.

General Risks and Uncertainties

We have had limited sales to dealers, distributors and other customers to support our operations since our inception. We have expended approximately $33 million for research and development since our inception. We have had net losses and negative cash flow from operations in each year of our business since inception and we may continue to incur substantial losses and experience substantial negative cash flows from operations.

Based on reductions in operating expenses that have been made and additional reductions that may be implemented, if necessary, we believe that our cash resources, including cash received from May 1, 2000 to June 7, 2000, will be sufficient to continue operations into the third quarter of fiscal 2001. We anticipate that, thereafter, we may continue to require additional funds to continue our marketing, research and development activities, if cash generated from operations is insufficient to satisfy our liquidity requirements. We may seek to sell debt or equity securities or to obtain a line of credit, if needed. In addition, we may need to raise additional equity financing to satisfy an NASD requirement that we have a minimum of $4 million of net tangible assets to maintain our Nasdaq National Market listing if funds generated from operations are insufficient. The NASD also requires that we maintain a minimum bid price of at least $1.00 per share in order to continue our listing. If our stock were delisted, the delisting could potentially have an adverse affect on the market price of our common stock and the liquidity of our shares. We cannot give you any assurance that additional financing, if needed, will be available to us or that, if available, we will be able to obtain additional financing on favorable terms and conditions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources".

Our encryption products are only in their initial stages of production and marketing. The success and profitability of these products will depend upon many factors, many of which are beyond our control, including: our ability to successfully market the USS-900 and SCS-700; our continuing ability to purchase the Citadel(TM) CCX encryption chip from Harris for use in the USS-900; our production capabilities and those of our suppliers as required for the production of the USS-900, and the modified Magicom(R) 2000 for the SCS-700; long-term product performance and the capability of our dealers and distributors to adequately service our products; our ability to maintain an acceptable pricing level to end-users for our products; the ability of suppliers to meet our requirements and schedule; our ability to obtain adequate supplies of substrates for the SCS-700; our ability to successfully develop our new products under development, particularly our new encryption products; rapidly changing consumer preferences; and the possible development of competitive products that could render our products obsolete or unmarketable. Consequently, we cannot give you any assurance that we will generate sufficient revenues to support our operations in the future or that we will have sufficient revenues to generate profits.

Our Chief Executive Officer, Denis A. Krusos, and our President, Frank J. DiSanto, founded CopyTele in 1982 and are engaged in the management and operations of our business and that of Shanghai CopyTele, including all aspects of the development, production and

marketing of our products and our flat panel display technology. Messrs. Krusos and DiSanto, and our other senior executives, are important to our future business and financial arrangements and the loss of the services of any such persons may have a material adverse effect on our business prospects.

PART II OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds

Recent Sales of Unregistered Securities

In March 2000, the Company issued and sold 196,500 shares of Common Stock in private placements to three accredited investors for a purchase price of $2.313 per share, or an aggregate of $454,505. In conjunction with the sales of Common Stock, the Company issued Warrants to purchase 196,500 shares of Common Stock at an exercise price of $2.313 per share, which expire in March 2002. The shares of Common Stock and Warrants were offered and sold in reliance upon the exemption from registration under Section 4(2) of the Securities Act of 1933, as amended, relative to sales by an issuer not involving a public offering.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

27 - Financial Data Schedule

(b) Reports on Form 8-K.

No current report on Form 8-K was filed for the Company during the second quarter of its fiscal year ended April 30, 2000.

SIGNATURES

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

CopyTele, Inc.

	By: DENIS A. KRUSOS Denis A. Krusos Chairman of the Board, Chief Executive Officer and Director (Principal Executive
June 13, 2000	Officer)
	By: FRANK J. DISANTO Frank J. DiSanto
June 13, 2000	President and Director
	By: GERALD J. BENTIVEGNA Gerald J. Bentivegna Vice President - Finance, Chief Financial Officer and Director (Principal Financial
June 13, 2000	and Accounting Officer)

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This Schedule contains summary financial information extracted from the financial statements contained in the body of the accompanying Form10-Q and is qualified in its entirety by reference to such financial statements.

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