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, 2001

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 8, 2001: 64,712,025 shares

TABLE OF CONTENTS

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Balance Sheets as of April 30, 2001 (Unaudited) and October 31, 2000

Condensed Statements of Operations (Unaudited) for the six months ended April 30, 2001 and 2000, and for the period from inception (November 5, 1982) to April 30, 2001

Condensed Statements of Operations (Unaudited) for the three months ended April 30, 2001 and 2000

Condensed Statement of Shareholders' Equity (Unaudited) for the period from inception (November 5, 1982) to April 30, 2001

Condensed Statements of Cash Flows (Unaudited) for the six months ended April 30, 2001 and 2000, and for the period from inception (November 5, 1982) to April 30, 2001

Notes to Condensed Financial Statements (Unaudited)

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

Part II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

Signatures

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements.

COPYTELE, INC.
(Development Stage Enterprise)
CONDENSED BALANCE SHEETS

<TABLE>
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ASSETS	(Unaudited) April 30, 2001	October 31, 2000
CURRENT ASSETS:		
Cash, including cash equivalents and interest bearing accounts of $143,118 and $1,119,516, respectively	$ 157,865	$ 1,134,045
Marketable securities, at cost	-	96,873
Accounts receivable, net of allowance for doubtful accounts of $75,400	707,869	594,851
Inventories	1,760,575	1,769,285
Prepaid expenses and other current assets	14,491	60,433
Total current assets	2,640,800	3,655,487
PROPERTY AND EQUIPMENT, net	162,194	270,018
OTHER ASSETS	2,968,122	2,968,996
	$ 5,771,116	$ 6,894,501
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 940,427	$ 1,035,749
Accrued liabilities	206,238	301,153
Total current liabilities	1,146,665	1,336,902
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; 64,459,525 and 63,084,526 shares issued and outstanding, respectively	644,595	630,845
Additional paid-in capital	61,022,170	60,050,852
Deficit accumulated during the development stage	(57,042,314)	(55,124,098)
	4,624,451	5,557,599
	$ 5,771,116	$ 6,894,501

</TABLE>

The accompanying notes are an integral part of these balance sheets.

COPYTELE, INC.
(Development Stage Enterprise)
CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

<TABLE>
<CAPTION>

	For the six months ended April 30, 2001	For the six months ended April 30, 2000	For the Period from Inception (November 5, 1982) to April 30, 2001
SALES	$ 423,305	$ 698,392	$ 1,942,180
COST OF SALES	168,466	391,579	931,208
Gross profit	254,839	306,813	1,010,972
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (including research and development expenses of approximately $1,115,000, $1,330,000 and $35,321,000, respectively)	2,183,272	2,939,840	61,889,835
LOSS FROM AND IMPAIRMENT OF INVESTMENT IN JOINT VENTURE	-	-	1,225,000
INTEREST INCOME	10,217	51,978	5, 061,549
NET (LOSS)	$ (1,918,216)	$(2,581,049)	$ (57,042,314)

NET (LOSS) PER SHARE OF COMMON STOCK: Basic and Diluted	$ (0.03)	$ (0.04)	$ (1.17)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: Basic and Diluted	63,602,490	61,433,918	48,604,216

</TABLE>

The accompanying notes are an integral part of these statements.

COPYTELE, INC.
(Development Stage Enterprise)
CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

<TABLE>
<CAPTION>

	For the three months ended April 30,	
	2001	2000
<S>	<C>	<C>
SALES	$ 245,014	$ 421,600
COST OF SALES	94,216	184,514
Gross profit	150,798	237,086
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (including research and development expenses of approximately $482,000 and $689,000, respectively)	941,233	1,517,471
LOSS FROM AND IMPAIRMENT OF INVESTMENT IN JOINT VENTURE	-	-
INTEREST INCOME	2,355	33,990
NET (LOSS)	$ (788,080)	$ (1,246,395)
NET (LOSS) PER SHARE OF COMMON STOCK: Basic and Diluted	$ (0.01)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: Basic and Diluted	63,994,320	62,565,329

</TABLE>

The accompanying notes are an integral part of these statements.

COPYTELE, INC.
(Development Stage Enterprise)
CONDENSED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM INCEPTION (NOVEMBER 5, 1982)
THROUGH April 30, 2001 (UNAUDITED)

<TABLE>
<CAPTION>

	Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage
	Shares	Par Value		
<S>	<C>		<C>	<C>
BALANCE, Inception (November 5, 1982)	-	$ -	$ -	$ -
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	-

Continued

COPYTELE, INC.
(Development Stage Enterprise)
CONDENSED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM INCEPTION (NOVEMBER 5, 1982)
THROUGH April 30, 2001 (UNAUDITED)

Continued

	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Deficit Accumulated During the Development Stage
Sale of common stock, at market, to senior level personnel on February 26, 1989	29,850	299	499,689	-
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 incentive 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	-	-	564,819	-
Common stock issued upon exercise of stock options from November 1999 to April 2000 under stock inventive 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	-
Common stock issued upon exercise of warrants in May 2000	143,250	1,432	198,604	-

Continued

COPYTELE, INC.
(Development Stage Enterprise)
CONDENSED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM INCEPTION (NOVEMBER 5, 1982)
THROUGH April 30, 2001 (UNAUDITED)

Continued

	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Deficit Accumulated During the Development Stage
Common stock issued upon exercise of stock options in January and April 2001 under stock incentive plans, net of registration costs	1,194,534	11,946	689,834	-
Issuance of stock to consultants for services rendered	3,095	31	2,969	-
Common Stock issued upon grant of stock awards in February 2001 under stock incentive plans	177,370	1,773	175,596	-

Deficit accumulated during the development stage	-	-	-	(57,042,314)
BALANCE, April 30, 2001	64,459,525	644,595	$61,022,170	$(57,042,314)

</TABLE>

The accompanying notes are an integral part of these statements.

COPYTELE, INC.
(Development Stage Enterprise)
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

<TABLE>
<CAPTION>

	For the six month ended April 30,		For the Period from Inception (November 5, 1982) to April 30, 2001
	2001	2000	
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers, employees and consultants	$(2,092,266)	$(2,583,142)	$(63,623,956)
Cash received from customers	310,287	311,683	1,158,911
Interest received	10,217	60,506	5,058,563
Net cash (used in) operating activities	(1,771,762)	(2,210,953)	(57,406,482)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(3,071)	(5,442)	(2,057,230)
Disbursements to acquire certificates of deposit and marketable securities	-	(96,873)	(13,630,910)
Proceeds from maturities of investments	96,873	488,038	13,630,910
Investment made in Joint Venture	-	-	(1,225,000)
Net cash provided by (used in) investing activities	93,802	385,723	(3,282,230)
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	701,780	3,025,724	40,988,753
Proceeds from sales of common stock in private placements, net	-	800,585	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	701,780	3,826,309	60,846,577
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(976,180)	2,001,079	157,865
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,134,045	1,587,830	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 157,865	$ 3,588,909	$ 157,865

Continued

COPYTELE, INC.
(Development Stage Enterprise)
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

Continued

	For the six month ended April 30,		For the Period from Inception (November 5, 1982) to April 30, 2001
	2001	2000	
RECONCILIATION OF NET (LOSS) TO NET CASH			

USED IN OPERATING ACTIVITIES:

Net loss	$(1,918,216)	$(2,581,049)	$(57,042,314)
Loss from Joint Venture	-	-	1,139,828
Stock option compensation to consultants	102,919	134,450	564,819
Stock issued to consultants for services rendered	3,000	-	3,000
Stock awards granted to employees	177,369	-	177,369
Provision for doubtful accounts	-	-	75,400
Depreciation and amortization	110,895	133,198	2,015,369
Loss from disposition of assets	-	-	30,050
Impairment of investment in Joint Venture	-	-	85,172
Impairment of amounts due from Joint Venture	-	-	1,407,461
Change in operating assets and liabilities:			
Accounts receivable	(113,018)	-	(783,269)
Inventories	8,710	178,259	(4,760,575)
Prepaid expenses and other current assets	45,942	(334,999)	(876,491)
Long term amount due from Joint Venture	-	-	(1,407,461)
Other assets	874	583	31,878
Accounts payable and accrued liabilities	(190,237)	258,605	1,933,282
Net cash (used) in operating activities	$(1,771,762)	$(2,210,953)	$(57,406,482)
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:			
Non-cash increase in other assets resulting from a barter transaction including the exchange of certain inventory for commercial trade credits	$ -	$ -	$ 3,000,000

</TABLE>

The accompanying notes are an integral part of these statements.

COPYTELE, INC.

(Development Stage Enterprise)

NOTES TO CONDENSED FINANCIAL STATEMENTS

April 30, 2001 (UNAUDITED)

(1) Nature and Development of Business and Other Disclosures

Organization and Development of Business

CopyTele, Inc. (the "Company"), which was incorporated on November 5, 1982, is a development stage enterprise whose principal activities include the development, production and marketing of multi-functional encryption products that provide information security for domestic and international users over virtually every communications media. The Company's line of encryption products presently includes the USS-900 (Universal Secure System), the DSS-1000 (Digital Security System), the DCS-1200 (Digital Cellular/Satellite) and the ULP-1 (Ultimate Laptop Privacy). The USS-900, DSS-1000, DCS-1200 and ULP-1 are multi-functional, hardware-based digital encryption systems that incorporate the Harris Corporation encryption cryptographic chip - the Citadel(TM) CCX - or the Triple DES algorithm to provide high-grade encryption.

The Company is also continuing its research and development activities for additional encryption products and flat panel display technologies, including its thin film video color display (Field Emission Display or FED) and its ultra-high resolution charged particle E-Paper(TM) flat panel display.

Subsequent Event

On June 13, 2001, the Company entered into a Joint Cooperation Agreement for Field Emission Displays (the "Agreement") with Futaba Corporation ("Futaba") for the purpose of jointly developing and commercializing a full-color video display utilizing the Company's field emission display technology. The Agreement provides for the initial payment to the Company of $2,500,000 on or before July 12, 2001 for the first phase of development of a prototype for a 320 x 240 pixel, 5-inch diagonal display. During the first phase of the Agreement, the Company will be primarily responsible for developing prototypes of the display and providing the required fabrication, to enable Futaba to utilize its know-how and production facilities for the mass production of the display. The Agreement further provides for negotiations between the parties during the first six months of the Agreement regarding additional compensation to the Company for use of the Company's technology developed prior to the Agreement, which may include the payment of royalties based on sales of products by Futaba. As part of the Agreement, both parties would have the exclusive right to produce products, with Futaba having the exclusive right to sell the products worldwide, excluding Russia. Any intellectual property developed pursuant to the Agreement will be jointly owned by Futaba and the Company. The Agreement also provides for a term of three years with the terms of the project following the first year being subject to future negotiations between the parties on a yearly basis.

Funding and Management's Plans
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Since its inception, the Company has met its liquidity and capital expenditure needs primarily through the proceeds from sales of its common stock in its 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. The Company is hopeful, that with both the development of its new products and its increased marketing efforts, it will procure enough sales throughout fiscal 2001 to emerge from the development stage. However, there can be no assurance that the Company will be able to do so.

The Company's operations used approximately $1,772,000 in cash during the six month period ended April 30, 2001. As of April 30, 2001, working capital primarily included approximately $158,000 of cash, $708,000 of accounts receivable, $1,761,000 of inventory and approximately $1,147,000 of accounts payable and accrued liabilities. The Company believes that its existing cash and receivables, along with other potential sources of cash flows (see "Subsequent Event"), will be sufficient to enable it to continue in operation until at least the end of the second quarter of fiscal 2002, after giving effect to certain reductions in operating expenses, as necessary. As of June 8, 2001, the Company had approximately $102,000 in cash.

The Company is seeking to improve its liquidity through increased sales of its products. The Company may also seek to improve its liquidity through sales of its common stock and additional exercise of stock options and warrants. There can be no assurance that any of these plans will materialize.

The Company has had limited sales to its dealers, distributors and end-users since its inception, and during the six and three month periods ended April 30, 2001 has recognized revenue of approximately $423,000 and $245,000, respectively. Despite the foregoing, there can be no assurance that the Company will generate significant revenues in the future (through sales or otherwise) to improve its liquidity, that the Company will have sufficient revenues to generate a profit, that the Company will be able to expand its current distributor/dealer network, that production capabilities will be adequate, or that other products will not be produced by other companies that will render the products of the Company obsolete.

The Chairman of the Board and Chief Executive Officer, the President, and an outside Director have made a representation that it is their intention to provide short term loans to the Company of up to $450,000, $450,000 and $200,000, respectively, if the Company requires additional cash for its operations during the period ending January 31, 2002. The loans would bear interest at 9% per annum, would be secured by the Company's accounts receivable and inventory and would mature on January 31, 2002. These amounts would be reduced on a pro-rata basis by any other debt or equity financing obtained by the Company and by the proceeds received from certain sales. The representation of each individual is conditioned upon his not becoming incapacitated in a manner that prevents him from performing his present responsibilities.

The National Association of Securities Dealers, Inc. requires that the Company maintain a minimum of $4,000,000 of net tangible assets to maintain its Nasdaq National Market listing, and a minimum bid price of at least $1.00 per share in order to maintain its Nasdaq listing. The Company anticipates that it will seek additional sources of funding, when necessary, to satisfy such requirements or

for other purposes. There can be no assurance that such funding, if required, will be obtained. The Company's 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 certain senior level personnel, will continue.

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 products. To date, sales of the Company's products have been limited. Accordingly, there can be no assurance that the Company will not be required to reduce the selling price of its inventory below its current carrying value.

Furthermore, management believes its other assets, which consist principally of commercial trade barter credits, will be realized through future usage, and accordingly are properly valued as of April 30, 2001 (Note 2).

Product Development
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The success and profitability of the Company's products will depend upon many factors, many of which are beyond its 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 its encryption products, 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 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, 2001 and 2000, and for the period from inception (November 5, 1982) to April 30, 2001. 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, 2000, for more extensive disclosures than contained in these condensed financial statements.

Revenue Recognition

The Company recognizes revenues in accordance with Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements," or other specific authoritative literature, as applicable. Accordingly, revenues from merchandise sales are recorded when all four of the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the Company's price to the buyer is fixed or determinable; and (iv) collectibility is reasonably assured.

Other Assets

Other assets consists primarily of a barter credit asset, which will be realized by the Company through future redemption of barter credits to be applied towards advertising and purchase discounts (Note 2).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

(2) Barter Transaction

In August 2000, the Company entered into a nonmonetary barter transaction whereby $3,000,000 of certain inventory was sold in exchange for an equal value of commercial trade barter credits. The Company determined the fair value of the exchanged inventory based on management's quarterly evaluation of the net realizable value of all items in inventory. In accordance with Accounting Principles Board ("APB") No. 29, "Accounting for Nonmonetary Transactions," the Company recognized no gain or loss on the transaction as it is management's opinion that this exchange was effected at fair market value. These trade credits, ($2,954,000 as of April 30, 2001), which are recorded as other assets on the accompanying balance sheet, may be redeemed to reduce the cost of advertising as well as other products and services.

The commercial trade barter credits, which can be utilized as cash or purchase discounts on future advertising and commercial business products, do not have an explicit contractual expiration date and can be used at the Company's discretion for any of the products and services covered under our barter arrangement.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," measurement of an impairment loss for our long-lived assets is based on the fair value of the specific asset. With respect to the barter credit asset, the Company continually evaluates fair value based upon estimates of its

expected undiscounted future cash flows. The utilization of the commercial trade credits included in the carrying value of the barter asset is dependent upon the success of the Company's future operations and its ability to fund advertising or product expenditures. Based on this evaluation, management believes that there is no impairment as of April 30, 2001.

(3) Shareholders' Equity

Stock Incentive Plans

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The Company has three stock incentive plans: the 1987 Stock Option Plan (the "1987 Plan"), the CopyTele, Inc. 1993 Stock Option Plan (the "1993 Plan"), and the CopyTele, Inc. 2000 Share Incentive Plan (the "2000 Share Plan"), which were adopted by the Board of Directors on April 1, 1987, April 28, 1993, and May 8, 2000, respectively.

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 APB No. 25. 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 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 for consultants recognized in the six month periods ended April 30, 2001 and 2000 and the period from inception (November 5, 1982) to April 30, 2001 was $102,919, $134,450 and $564,819, respectively, and in the three month periods ended April 30, 2001 and 2000 was $0 and $28,600, respectively, which was measured at the vesting date upon the Company's determination of performance commitment achievement in accordance with Emerging Issues Task Force 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 selling, general and administrative expenses for the periods.

During the six month period ended April 30, 2001, options to purchase 2,325,000 shares and stock awards for the issuance of 177,370 shares were granted, and options to purchase 1,194,534 shares were exercised. As of April 30, 2001, stock options to purchase 14,170,326 shares were outstanding of which stock options to purchase 13,872,326 shares were exercisable. During the period from May 1, 2001 through June 8, 2001, options to purchase 20,000 shares and stock awards for the issuance of 208,305 shares were granted.

Warrants
- --------

As of April 30, 2001, warrants to purchase 1,373,250 shares of common stock were outstanding and exercisable.

(4) Net (Loss) Per Share of Common Stock
- ---------------------------------------

The Company complies with the provisions of SFAS No. 128, "Earnings Per Share". In accordance with SFAS 128, basic net (loss) per common share ("Basic EPS") is computed by dividing net (loss) by the weighted average number of common shares outstanding. Diluted net (loss) per common share ("Diluted EPS") is computed by dividing net (loss) by the weighted average number of common shares and dilutive common share equivalents and convertible securities then outstanding. SFAS No. 128 requires the presentation of both Basic EPS and Diluted EPS on the face of the statements of operations. Diluted EPS for all periods presented is the same as Basic EPS, as the inclusion of the impact of common stock equivalents then outstanding would be anti-dilutive.

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

Forward-Looking Statements
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Information included in this Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical facts, but rather reflect our current expectations concerning future events and results. We generally use the words "believes", "expects", "intends", "plans", "anticipates", "likely", "will" and similar expressions to identify forward-looking statements. Such forward-looking statements, including those concerning our expectations, involve known and unknown 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 "General

Risks and Uncertainties" below and Note 1 to Condensed Financial Statements.

GENERAL

We have been a development-stage enterprise since our inception on November 5, 1982. Our principal activities include the development, production and marketing of multi-functional, hardware-based, peripheral digital encryption devices. These encryption devices provide high-grade security for domestic and international users over virtually every communications media.

Our line of encryption products presently includes the USS-900 (Universal Secure System), the DSS-1000 (Digital Security System), the DCS-1200 (Digital Cellular/Satellite) and the ULP-1 (Ultimate Laptop Privacy), which are available with either the high-grade strength of the Harris Corporation ("Harris") digital cryptographic chip - the Citadel(TM) CCX - or the Triple DES algorithm to provide high-grade encryption. Harris is supplying the chip at a negotiated price under a three-year agreement entered into in 1999. 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 continuing our research and development activities for additional encryption products and flat panel display technologies, including our thin film video color display (Field Emission Display or FED) and our ultra-high resolution charged particle E-Paper(TM) flat panel display. We cannot assure you, however, that our efforts in these areas will be successful. Effective June 13, 2001, we entered into a Joint Cooperation Agreement for Field Emission Displays with Futaba Corporation ("Futaba Agreement") for the purpose of jointly developing and commercializing a full-color video display utilizing our field emission display technology. See "Liquidity and Capital Resources."

We are currently using several U.S.-based electronic production contractors to produce the components for our encryption devices. We sell our products primarily through a distributor/dealer network and also to end-users.

During fiscal 2000, we discontinued production of our Magicom(R) 2000 telecommunications product and our SCS-700 encryption product, which combined the USS-900 with the Magicom(R) 2000, but we are continuing sales of our remaining inventory of the SCS-700.

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

Six months ended April 30, 2001 compared with six months ended April, 2000

Sales -

Sales decreased by approximately $275,000, or 39%, to approximately $423,000 in the six months ended April 30, 2001, as compared with approximately $698,000 in the comparable prior-year period. The decrease in sales is primarily a result of the decrease in SCS-700 system and accessory product sales of approximately $267,000. Sales of the USS-900, DSS-1000 and ULP-1 in the six month period ended April 30,2001 were approximately $410,000 as compared with approximately $434,000 in the prior-year period.

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 2001 to emerge from the development stage.

Gross Profit-

Gross profit decreased in the six months ended April 30, 2001 to approximately $255,000, or 60% as a percentage of sales, compared to approximately $307,000, or 44% as a percentage of sales in the comparable prior-year period. The decrease in gross profit is due to the decrease in sales volume. The increase in gross profit as a percentage of sales resulted primarily from the mix of encryption products being sold.

Selling, General and Administrative Expenses-

Selling, general and administrative expenses decreased approximately $757,000, or 26%, to approximately $2,183,000 for the six month period ended April 30, 2001, from approximately $2,940,000 for the comparable prior-year period.

The decrease in selling, general and administrative expenses for the six-month period ended April 30, 2001 as compared with the prior-year period is primarily a result of effective cost-cutting measures, specifically a reduction in engineering supplies of approximately $357,000, a reduction in advertising and related expenses of approximately $102,000, a reduction in employee compensation and related costs of approximately $90,000, and a reduction in patent-related costs of approximately $75,000.

Research and Development Expenses-

Research and development expenses, which are included in selling, general and administrative expenses, were approximately $1,115,000 and $1,330,000 for the six month periods ended April 30, 2001 and 2000, respectively.

Interest Income-

Interest income decreased by approximately $42,000 to approximately $10,000 in the six month period ended April 30, 2001 as compared to approximately $52,000 in the comparable period in the prior-year, primarily as a result of a reduction in average funds available for investment.

Three months ended April 30, 2001 compared with three months ended April 30, 2000
- ---

Sales -

Sales decreased by approximately $177,000, or 42%, to approximately $245,000 in the three months ended April 30, 2001 as compared with approximately $422,000 in the comparable prior-year period. Sales of the USS-900, DSS-1000 and ULP-1 decreased in the three month period ended April 30, 2001 to approximately $243,000 as compared with approximately $390,000 in the prior-year period.

Gross Profit-

Gross profit decreased in the three months ended April 30, 2001 to approximately $151,000, or 62% as a percentage of sales, compared to approximately $237,000, or 56% as a percentage of sales in the comparable prior-year period. The decrease in gross profit is due to the decrease in sales volume. The increase in gross profit as a percentage of sales resulted primarily from the mix of encryption products being sold.

Selling, General and Administrative Expenses-

Selling, general and administrative expenses decreased approximately $576,000, or 38%, to approximately $941,000 for the three months ended April 30, 2001 from approximately $1,517,000 for the comparable prior-year period.

The decrease in selling, general and administrative expenses for the three months ended April 30, 2001 as compared with the prior-year period is primarily a result of effective cost-cutting measures, specifically a reduction in engineering supplies of approximately $270,000, a reduction in patent-related costs of approximately $86,000, and a reduction in advertising and related costs of approximately $76,000.

Research and Development Expenses-

Research and development expenses, which are included in selling, general and administrative expenses, were approximately $482,000 and $689,000 for the three month periods ended April 30, 2001 and 2000, respectively.

Interest Income-

Interest income decreased by approximately $32,000 to approximately $2,000 in the three months ended April 30, 2001 as compared to approximately $34,000 in the comparable period in the prior-year, primarily as a result of a reduction in average funds available for investment.

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 our initial public offering, and upon the exercise of stock options pursuant to our 1987, 1993 and 2000 stock option plans (the "1987 Plan," the "1993 Plan," and the "2000 Share Plan," respectively).

During the six month periods ended April 30, 2001 and 2000, we received proceeds aggregating approximately $310,000 and $312,000, respectively, in payments from our customers for products sold. For the six months ended April 30, 2001 and 2000, we received proceeds aggregating approximately $702,000 and $3,026,000, respectively, from the exercise of stock options to purchase shares of our common stock pursuant to our stock option plans.

Subsequent to April 30, 2001, we entered into the Futaba Agreement, which provides for the initial payment to us of $2,500,000 on or before July 12, 2001, for the first phase of development of a prototype for a 320 x 240 pixel, 5-inch diagonal display having numerous advanced features, including wide viewing angle, low power consumption, high-resolution, and ultra-bright screen. See Note 1 to Condensed Financial Statements - "Subsequent Events." The technology being utilized is based on the more than three year joint development that we funded in our previously disclosed relationship with Volga Svet Limited, a Russian display company. We plan to continue to utilize Volga's assistance in the development work under the Futaba Agreement and will fund Volga in accordance with the existing relationship. We refer you to the Futaba Agreement, which is filed as Exhibit 10.1 of this Report, for additional information concerning its terms.

Working capital decreased by approximately $825,000 from approximately $2,319,000 at October 31, 2000 to approximately $1,494,000 at April 30, 2001, as a result of the decrease in cash and marketable securities, the decrease in prepaid expenses, offset by the increase in accounts receivable and the decrease in accounts payable and accrued liabilities. Cash and marketable securities decreased by approximately $1,073,000 from approximately $1,231,000 at October 31, 2000 to approximately $158,000 at April 30, 2001, as a result of funds used for operations. Prepaid expenses decreased by approximately $46,000 as a result of the timing of payments of prepaid items. Accounts receivable increased by approximately $113,000 as a result of the timing of collections. Accounts payable decreased by approximately $95,000 and accrued liabilities decreased by approximately $95,000, primarily as a result of the decrease in operating expenses.

Our operations used approximately $1,772,000 in cash during the six months ended April 30, 2001. As of April 30, 2001, working capital included approximately $158,000 of cash, $708,000 of accounts receivable, $1,761,000 of inventory and approximately $1,147,000 of accounts payable and accrued liabilities. As of June 8, 2001, we had approximately $102,000 in cash. We believe that existing cash and receivables, along with other potential sources of cash flows, including the Futaba Agreement, will be sufficient to enable us to continue in operation until

at least the end of the second quarter of fiscal 2002, after giving effect to certain reductions in operating expenses, as necessary. We anticipate that, thereafter, we will require additional funds to continue our marketing and research and development activities, and we will require outside funding if cash generated from operations is insufficient to satisfy our liquidity requirements. Our ability to fund continuing operations may depend in part upon the availability of financing from our Chairman of the Board, our President, and an outside Director, as described below. 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 will 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.

In connection with our annual audit for the fiscal year ended October 31, 2000, our Chairman of the Board and Chief Executive Officer, our President, and an outside Director have represented to our independent auditors that it is their intention to provide short term loans to us of up to $450,000, $450,000 and $200,000, respectively, if we require additional cash for our operations during the period ending January 31, 2002. The loans would bear interest at 9% per annum, would be secured by accounts receivable and inventory and would mature on January 31, 2002. These amounts would be reduced on a pro-rata basis by any other debt or equity financing obtained by us and by the proceeds received from certain sales. The representation of each individual is conditioned upon his not becoming incapacitated in a manner that prevents him from performing his present responsibilities.

We are seeking to improve our liquidity through increased sales of products. In an effort to generate sales, we have marketed our encryption products directly to U.S. and international office equipment distributors and dealers and, during the six months ended April 30, 2001, we have recognized total revenues of approximately $423,000. We are hopeful, although we can give you no assurance, that we will generate significant revenues in the future (through sales or otherwise) to improve our liquidity.

The Nasdaq Stock Market ("NASDAQ") requires that we maintain a minimum of $4,000,000 of net tangible assets to maintain our Nasdaq National Market listing. If our stock were delisted, the delisting could potentially have an adverse effect 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, 2001 were approximately $4,624,000. We anticipate that we may require additional funds to maintain NASDAQ's net tangible assets requirement. We can give you no assurance that we will be able to generate adequate funds from operations or that funds will be available to us from equity financings. We also can offer no assurance that, if available, we will be able to obtain such funds on favorable terms and conditions.

NASDAQ also requires that we maintain a minimum closing bid price of $1.00 for continued listing. If at any time the bid price for our common stock falls below $1.00 per share for a period of thirty consecutive business days, NASDAQ has the right to delist our stock if within ninety days thereafter the bid price for the stock is not at least $1.00 per share for a minimum of ten consecutive business days. We have been notified by NASDAQ that we have failed to maintain a minimum

bid price of $1.00 for thirty consecutive business days and have until June 27, 2001 for the bid price to obtain at least $1.00 for a minimum of ten consecutive business days to regain compliance. If we are unable to demonstrate compliance on or before June 27, 2001, NASDAQ will notify us that our securities will be delisted. At that time, we may appeal this decision to a Nasdaq Listings Qualifications Panel. If our stock were delisted, the delisting could have an adverse affect on the price of our common stock and could adversely affect the liquidity of the shares held by our stockholders. The closing bid price for our common stock on June 8, 2001 was $0.80.

Management has recorded our inventory at its current best estimate of net realizable value, which is based upon the historic and future selling prices of the USS-900, DSS-1000, UPL-1 and remaining SCS-700s. 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 its current carrying value.

Furthermore, management believes its other assets, which consist principally of commercial trade barter credits, will be realized through future usage, and accordingly are properly valued as of April 30, 2001.

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.

GENERAL RISKS AND UNCERTAINTIES

- We have experienced significant net losses and negative cash flows from operations since our inception 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. We have incurred substantial costs and expenses since our inception in developing our flat panel display and encryption technologies and in our efforts to produce commercially marketable products incorporating our technology. We have had limited sales to our dealers, distributors and other customers to support our operations from inception through April 30, 2001. We have incurred net losses aggregating approximately $57,042,000 during the same period. Research and development expenses during that period aggregated approximately $35,321,000 and negative cash flows from operations aggregated approximately $57,406,000. We have set forth below our net losses, research and development expenses and negative cash flows from operations for the fiscal years ended October 31, 2000 and 1999, and the six month periods ended April 30, 2001 and 2000:

<TABLE>
<CAPTION>

	Fiscal Years Ended October 31,		Six Months Ended April 30,	
	2000	1999	2001	2000
<S>	<C>		<C>	
Net Loss	$4,964,173	$8,465,016	$1,918,216	$2,581,049
Research and Development	$2,732,000	$3,163,000	$1,115,000	$1,330,000
Negative Cash Flows From Operations	$4,840,578	$6,117,096	$1,771,762	$2,210,953

</TABLE>

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

We anticipate that we will require additional funding to continue our research and development activities, market our products and satisfy NASDAQ's requirement that we maintain a minimum of $4 million of net tangible assets to maintain our Nasdaq National Market listing, if cash generated from operations is insufficient to satisfy these requirements. Based on reductions in operating expenses that we have made and additional reductions that we may implement, if necessary, we believe that our cash resources, including cash received from May 1, 2001 to June 8, 2001, and other potential sources of cash flows (see Note 1 to Condensed Financial Statements - "Subsequent Events") will be sufficient to continue in operation until at least the end of the second quarter of fiscal 2002. We anticipate that, thereafter, we will require additional funds to continue our marketing and research and development activities, and we will require outside funding if cash generated from operations is insufficient to satisfy our liquidity requirements. Our ability to fund continuing operations may depend in part upon the availability of financing from our Chairman of the Board, our President and an outside Director who represented to our independent auditors in connection with our annual audit for fiscal year 2000 that it was their intention to provide financing aggregating up to $1.1 million if we require additional cash for our operations during the period ending January 31, 2002, as more fully described under "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources." 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 will 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 may not generate sufficient revenues to support our operations in the future or to generate profits.

We are principally engaged in the production and marketing of hardware-based peripheral digital encryption systems called the USS-900, the DSS-1000, the DCS-1200 and the ULP-1. Our encryption products are only in their initial stages of commercial production and marketing. 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:

- our ability to successfully market our line of encryption products;

- our continuing ability to purchase the Citadel(TM)CCX encryption chip from Harris Corporation for use in our encryption products;

- o our production capabilities and those of our suppliers as required for the production of our encryption products;

- o long-term product performance and the capability of our dealers and distributors to adequately service our products;

- o our ability to maintain an acceptable pricing level to end-users for our products;

- o the ability of suppliers to meet our requirements and schedule;

- o our ability to successfully develop our new products under development, particularly our new encryption products;

- o rapidly changing consumer preferences; and

- o the possible development of competitive products that could render our products obsolete or unmarketable.

o The Futaba Agreement may not continue beyond the first year.

The Futaba Agreement provides for a term of three years with the terms of the project following the first year being subject to our ability to develop a full-color video display in accordance with the Futaba Agreement, and to negotiate subsequent phases of development on terms acceptable to both parties. There can be no assurance that such negotiations will be successful or that the project will continue beyond the first year.

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

Our Chief Executive Officer, Denis A. Krusos, and our President, Frank J. DiSanto, founded our company in 1982 and are engaged in the management and operations of our business, including all aspects of our development, production and marketing of our products and flat panel display technology. Messrs. Krusos and DiSanto, and other senior executives, are important to our future business and financial arrangements. The loss of the services of any such persons may have a material adverse effect on our business and prospects.

o We may not be able to compete successfully in the very competitive market for our encryption products.

The market for our encryption products worldwide is 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. We cannot give any assurance that we will be able to compete successfully in the market for our encryption products.

o If we are unable to maintain our Nasdaq National Market listing, the market price of our common stock could be adversely affected.

NASDAQ requires that we maintain a minimum of $4 million of net tangible assets and a closing bid price of at least $1 per share in order to continue our Nasdaq National Market listing. We have been notified by NASDAQ that we have failed to maintain a minimum bid price of $1.00 for thirty consecutive business days and have until June 27, 2001 for the bid price to obtain at least $1.00 for a minimum of ten consecutive business days to regain compliance. If we are unable to demonstrate compliance on or before June 27, 2001, NASDAQ will notify us that our securities will be delisted. At that time, we may appeal this decision to a Nasdaq Listings Qualifications Panel. If our stock were delisted, it could have an adverse affect on the market price of our common stock and the liquidity of our shares. As of April 30, 2001, our net tangible assets were approximately $4,624,000. The closing bid price of our common stock on June 8, 2001 was $0.80.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

10.1 - Joint Cooperation Agreement for Field Emission Displays, dated June 11, 2001, by and between CopyTele, Inc. and Futaba Corporation

(b) Reports on Form 8-K

No Current Report on Form 8-K was filed by us during the quarter ended April 30, 2001.

SIGNATURES

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

CopyTele, Inc.

By: /s/ DENIS A. KRUSOS

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

June 14, 2001

By: /s/ FRANK J. DISANTO

Frank J. DiSanto
President

June 14, 2001

By: /s/ HENRY P. HERMS

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

June 14, 2001

EXHIBIT INDEX

Exhibit No.	Description
10.1	Joint Cooperation Agreement for Field Emission Displays, dated June 11, 2001, by and between CopyTele, Inc. and Futaba Corporation.

Exhibit 10.1

JOINT COOPERATION AGREEMENT
FOR FIELD EMISSION DISPLAYS

This Agreement is entered into as of June 11, 2001 by and between COPYTELE, INC., existing under the laws of the State of Delaware, and having a principal place of business office at 900 Walt Whitman Road, Melville, NY 11747, USA (hereafter referred to as "CopyTele "), and FUTABA CORPORATION, existing under the laws of Japan, and having its registered office at 629 Oshiba, Mobara, Chiba 297-8588, Japan (hereafter referred to as "Futaba"), each of which is sometimes referred to herein as a "Party" or collectively, as the "Parties."

WHEREAS, CopyTele has developed and patented technology for full color field emission displays using edge emission technology. Futaba desires commercialization of FED's. CopyTele and Futaba desire to jointly develop, produce and commercialize a full color FED Module utilizing edge emission technology.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the parties hereto agree as follows:

1 DEFINITIONS

1.1 "Background Patents" shall mean any and all patents and patent applications in any country of the world owned by either Party or Volga, other than Program Patents, and having a first filing date or priority date before the effective date of this Agreement that relate to FED technology. CopyTele's and Volga's Background Patents (including patent application) shall be set forth in Attachment 5.

1.2 "Background Technology" shall mean either Party's or Volga's technical information and know how existing on the Effective Date relating to FED technology.

1.3 "Program Patents" shall mean any patents or patent applications based on inventions, ideas or designs made by each Party or the Parties (in association with or without Associates) in pursuit of the Milestones.

1.4 "Program Technology" shall mean any technical information and know how developed by or on behalf of each Party or the Parties (in association with or without Associates) in pursuit of the Milestones.

1.5 "Milestones" shall mean the development program to be achieved in this Agreement specifying steps for the target and time schedule agreed by the Parties set forth in Attachment 2.

1.6 "Specification" shall mean the specification of a full color FED set forth in Attachment 1.

1.7 "Affiliate" shall mean a company over 50% of whose voting equity is owned directly or indirectly by a Party.

1.8 "Associate" shall mean a company or an organization that supports a Party and is set forth in Attachment 4. If a Party wishes to add an

Associate related to this Agreement, the Party shall inform it to the other Party with written notice.

1.9 "Volga" shall mean one of the Associates of Copytele named "Volga Svet Limited" in Saratov, Russia.

1.10 "FED" shall mean a field emission display utilizing edge emission technology.

1.11 "Module" shall mean the display device, including (a) FED, (b) the attached associated driver circuits and (c) controller circuits.

1.12 "Product" shall mean a Module produced on the basis of the Background Patents, Background Technology, Program Patents or Program Technology referred to in this Agreement.

1.13 "Effective Date" means the later date of either CopyTele's duly authorized representative signature or Futaba's duly authorized representative signature after every necessary approval or permission, including, without limitation, the approval of Futaba's board of directors and any required permission of the Japanese Government has been obtained.

2 DEVELOPMENT

2.1 The Parties shall develop the Module set forth in Attachment 1 in accordance with the Milestones.

2.2 In no case shall CopyTele perform a similar development jointly with other Asian companies having their principal place of business in the Democratic People's of Republic of Korea, the Republic of Korea, Taiwan, the People's Republic of China, or Japan for the period set forth in Article 3 hereof (except companies that already have a license from CopyTele before the Effective Date of this Agreement).

2.3 The Parties shall carry out the Milestones set forth in Attachment 2.

3 DEVELOPMENT TERM

The Development Term and the Target shall be as below.

Phase I - Term is one year starting on the Effective Date.

- Target is five (5) inch full color Module.

Phase II - Term is one year starting on the date of completing Phase I.

- Target shall be as agreed in the last quarter of Phase I

Phase III - Term is one year starting on the date of completing Phase++U

- Target shall be as agreed in the last quarter of Phase II

The Parties shall confirm completion of the Specifications in each Phase. If the Specifications have not been met for a Phase, the Parties shall mutually discuss further development or other options before entering the next Phase. The Target, Specifications, Milestones and compensation for the next Phase shall be decided by mutual agreement before proceeding to Phase II and to Phase III if the Parties agree to enter to Phase II and to Phase III.

4 DEVELOPMENT SHARE

4.1 CopyTele is in charge of developing process and prototypes in accordance with Specifications. Futaba is in charge of commercialization and mass production if Futaba considers it commercially viable.

4.2 Futaba is in charge of reproducing prototypes in accordance with the prototypes supplied by CopyTele and the assistance of CopyTele.

5 DEVELOPMENT CONSIGNMENT

Neither party shall consign any part of the development under Article 3, 4 and 5 to the third parties, excluding Affiliates, Associates and Volga.

6 COMPENSATION

6.1 Futaba shall pay to CopyTele the compensation for the development in Phase I set forth in Attachment 3 within 30 days from the Effective Date.

6.2 The Parties shall negotiate within six (6) months from the Effective Date of this Agreement in partial compensation payable by Futaba for particular CopyTele and Volga Background Technology.

6.3 All payments under this Agreement shall be in U.S. dollars.

6.4 In cases where Futaba is required to withhold taxes, duties or governmental fees for which CopyTele is liable, Futaba may deduct such amount, provided that Futaba gives CopyTele official receipts for such payments, so that CopyTele may claim credit for such foreign taxes on its United States federal tax return, and cooperates with CopyTele as necessary to apply for exemptions from such tax or minimize such tax.

7 DEVELOPMENT PLACE

The main place of the development work shall be at the facilities of CopyTele and its Associates including Volga. The place of reproducing the prototypes shall be at the facilities of Futaba.

8 TECHNICAL VISITS

8.1 Either Party may send its engineers at its expense to the development place of the other Party, with mutual consent, to ensure technology transfer.

8.2 Either Party may request engineers of the other Party to visit its development place, with mutual consent, to ensure technology transfer. The requesting Party shall reimburse the other Party for the reasonable travel and lodging expenses of requested engineers.

9 INFORMATION EXCHANGE

9.1 CopyTele shall record every progress and achievement of the Milestones and deliver to Futaba full and true reports of its record within one (1) week after every calendar month period commencing from the Effective Date of this Agreement.

9.2 CopyTele shall also deliver to Futaba information and materials

necessary for reproducing, producing and testing each Product resulting from the Milestones.

9.3 CopyTele shall warrant that no information and delivered material will violate the laws and regulations of the U.S.

9.4 The Parties shall have meetings to exchange information related to this Agreement if both Parties agree.

10 INTELLECTUAL PROPERTY

10.1 The Parties shall jointly own the intellectual property of Program Technology, including know-how, unpatented and proprietary economic, scientific and technical information, data, trade secrets, materials, developments, discoveries, technology, processes, methods, protocols and products.

10.2 Each Party may use the Program Patents pursuant to paragraph 14.3.

11 PATENT APPLICATIONS ON JOINT INVENTIONS

11.1 During the term of this Agreement, the Parties shall jointly apply for Program Patents on joint inventions, ideas and designs made in pursuit of the Milestones (hereafter collectively referred to as "Inventions") in any country in consideration of necessity with mutual agreement and equally bear the costs and fees incurred for each such patent application.

11.2 In case either Party decides not to apply for, or continue to prosecute a patent application on a joint invention in a given country and submits written notice to the other Party, then the other Party may apply for a sole patent application in such country at its own expense, and the first Party will assign such invention and the patent application in such country to the Party seeking the patent. The assigning Party shall have a non-exclusive license under any such assigned patent application and any patent issuing. The royalty rate shall be negotiated in good faith by the Parties.

11.3 The Parties shall cause their employee-inventors to execute appropriate documents and assignments necessary to effectuate the terms of this paragraph.

12 INTELLECTUAL PROPERTY INDEMNIFICATION

12.1 To the best of CopyTele's knowledge, the use of its Background Technology and Background Patents to make the Phase I Module will not infringe any valid patent of any third party. Copytele has received an oral opinion from its patent counsel that such Module will not infringe the intellectual property of any third party. Copytele will receive a patent counsel's written expert opinion and will furnish a copy thereof to Futaba, which will accompany this Agreement. The Parties shall discuss this matter on documents for confirmation of non-infringement of third party's intellectual property.

12.2 In case of infringement of the third party's intellectual property, the Parties shall negotiate and consider taking any action including replacing and modifying Specifications and termination of this Agreement. Each party shall have the sole right and obligation to use its business judgment in deciding how best to defend its Background Patents at its own expense if the third party claims and sues.

12.3 Each Party shall notify the other Party of any suspected infringement of Program Patents and Program Technology by a third party. The Parties shall negotiate and consider taking any action against the third party.

12.4 Each Party shall notify the other Party of any suspected infringement by Program Patents and Program Technology of a third party's intellectual property. The Parties shall negotiate and consider taking any action.

13 PRODUCTION AND SALES

The production and sales of Products shall be subject to the following paragraphs until the last patent among Background Patents and Program Patents expires.

13.1 The Parties shall have the exclusive right to produce Products.

13.2 The Parties may entrust the production of Products to Affiliates and Volga, provided that Affiliates and Volga shall not entrust it to any other party.

13.3 Futaba shall have a sales right exclusively worldwide, excluding Russia.

13.4 Notwithstanding 13.1, Volga shall have the right to produce and/or sell the Products in Russia.

14 LICENSE

14.1 Futaba shall grant to CopyTele, a non-exclusive, irrevocable and worldwide license of its Background Patents and Background Technology which may be lawfully licensed pursuant to the terms of this Section 14.

14.2 CopyTele shall grant to Futaba a non-exclusive, irrevocable and worldwide license of Background Patents and Background Technology upon payment by Futaba to Copytele of the amounts referenced by Paragraph 6.2.

14.3 Each Party hereby grants and agrees to grant a non-exclusive, irrevocable and worldwide license of Program Patents and Program Technology to the other Party.

14.4 Neither Party shall license the intellectual property set forth in paragraph 10.1 to a third party, excluding Affiliates and Volga, without the written consent of the other Party.

15 ROYALTY

The Parties shall negotiate rates for running royalties (to be paid quarterly) for the licenses with Background Patents and Program Patents under Article 14 in favor of the products resulting from each Phase by the completion of the respective Phase, but failing agreement by both Parties, such licenses shall not become effective for the products resulting from such Phase until such royalty rate is agreed upon.

16 CONFIDENTIALITY

16.1 The Parties agree not to disclose to third parties the other Party's confidential information which was acquired in pursuit of the Milestones.

16.2 Notwithstanding the foregoing, either Party may disclose under its responsibility the confidential information to its Affiliate, Volga and

Associates, for the purpose and subject to the conditions and limitations set forth herein with written notice.

16.3 CopyTele shall be allowed to make any necessary announcement or reporting required by the Securities and Exchange Commission (SEC) or any stock exchange as a public company in the United States. However, CopyTele shall notify Futaba in advance of the contents of the announcement or the reporting.

16.4 The obligations of this Article 16 shall not apply to information:

- after it becomes freely available to the general public without fault of the Party wishing to disclose it; or

- that is lawfully made available to the Party wishing to disclose it without obligation of confidentiality by a third party not under an obligation of confidence to the other Party hereto; or

- that the Party wishing to disclose can show its developed independently of the development program of this Agreement, and without reference to the other Party's Background Technology or the Program Technology.

17 TERM

This Agreement shall take effect on the Effective Date hereof, and remain in full force for a period of three (3) years from the Effective Date, unless sooner terminated in accordance with the term of this Agreement.

18 TERMINATION

This Agreement may be terminated under the following circumstances:

18.1 If a Party breaches any of its material obligations under this Agreement, the non-breaching Party shall have the right to give written notice of such breach to the breaching Party, and, if the breaching Party does not cure such breach within 30 days from the date of such notice, the non-breaching Party shall have the right to terminate this Agreement forthwith by a further written notice.

18.2 In the event of the bankruptcy, insolvency or voluntary dissolution of either Party the non-defaulting Party may terminate this Agreement immediately upon written notice to the defaulting Party.

18.3 If a Party is merged with or acquired by a third party, the other Party may terminate this Agreement upon written notice.

18.4 If either Party disagrees to enter the Phase II or Phase III, such Party may terminate this Agreement upon written notice to the other Party.

19 EFFECT OF TERMINATION

19.1 Unless terminated pursuant to paragraph 18.1, the license in Article 14 shall survive until the expiration of the last to expire of any patent licensed hereunder.

19.2 If ownership of patent is assigned by operation of law to the third party pursuant to paragraph 18.2 or 18.3, the Assignee shall have the rights and obligations of the Assignee under this Agreement.

19.3 Notwithstanding Article18, the provisions of Article 16 shall survive for five (5) years after the termination of this Agreement and the provision of Article 14.3 and Article 15 shall survive until the expiration of the last to expire of any patent licensed hereunder.

20 GENERAL

20.1 This Agreement (including Attachments) constitutes the entire agreement between the Parties hereto as to the subject matter hereof, and expressly supercedes all prior to contemporaneous agreements, written or oral, as to such subject matter including Memorandum of Understanding dated April 27, 2001. No addition to or modification of this Agreement shall be effective unless in writing signed by an authorized representative of each of the Parties hereto. This Agreement shall be governed by and shall be construed and enforced in accordance with the substantive laws of state of New York. Any provision of this Agreement which shall prove to be invalid, void, or illegal shall in no way affect, impair or invalidate any other provision hereof, and such remaining provisions shall remain in full force and effect. Each party shall ensure compliance with laws and regulations in each country and shall be responsible for law procedures by each government (including Antitrust Law).

20.2 Arbitration: All disputes arising out of, or in connection with, this Agreement shall be settled through friendly consultations between both Parties. In case no settlement can be reached through consultations within one (1) month following written notice of a dispute given by either Party, the dispute shall be finally settled through arbitration in New York, New York before a single arbitrator in accordance with the Rules of Arbitration of the International Chamber of Commerce. The arbitration shall be conducted in the English language. The arbitration award shall be final and binding on the Parties and the Parties agree to be bound thereby and act accordingly.

20.3 CopyTele represents and warrants that Associates set forth in Attachment 4 shall have all requisite power and authority to perform their obligations hereunder and abide by the stipulations of this Agreement.

IN WITNESS WHEREOF, Futaba and CopyTele have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

COPYTELE, INC.	FUTABA CORPORATION
By: /s/ Denis A. Krusos	By: /s/ Hiroaki Kawasaki
Denis A. Krusos Chairman of the Board	Hiroaki Kawasaki Director, General Manager
Title: Chief Executive Officer	Title: Product Development Center
Date: June 11, 2001	Date: June 13, 2001