

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 July 31, 1996

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
Huntington Station, NY

11746

(Address of principal executive offices)

(Zip Code)

(516) 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 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
September 6, 1996:

56,873,156 shares

TABLE OF CONTENTS

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Condensed Balance Sheets (Unaudited) as of July 31,
1996 and October 31, 1995

Condensed Statements of Operations (Unaudited) for the nine months
ended July 31, 1996 and July 31, 1995, and for the period from
November 5, 1982 (Inception) through July 31, 1996

Condensed Statements of Operations (Unaudited) for the three months
ended July 31, 1996 and July 31, 1995

Condensed Statement of Shareholders' Equity (Unaudited) for the
period from November 5, 1982 (Inception) through July 31, 1996

Condensed Statements of Cash Flows (Unaudited) for the nine months
ended July 31, 1996 and July 31, 1995, and for the period from
November 5, 1982 (Inception) through July 31, 1996

Condensed Statements of Cash Flows (Unaudited) for the three months
ended July 31, 1996 and July 31, 1995

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

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

Signatures.

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements.

<TABLE>
<CAPTION>

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

	July 31, 1996	October 31, 1995
ASSETS		
CURRENT ASSETS:		
Cash (including cash equivalents and interest bearing accounts of \$21,205,895 and \$8,786,210, respectively)	\$ 21,444,593	\$ 8,864,293
Accrued interest receivable	36,543	36,206
Prepaid expenses and other current assets	63,584	52,451
	21,544,720	8,952,950
PROPERTY AND EQUIPMENT (net of accumulated depreciation and amortization of \$773,880 and \$690,420, respectively)	533,322	235,201
INVESTMENT IN JOINT VENTURE COMPANY (Note 2)	1,116,638	349,687
OTHER ASSETS	174,507	157,560
DEFERRED TAX BENEFITS (net of valuation allowance of \$23,428,000 and \$15,983,000, respectively)	-	-
	\$ 23,369,187	\$ 9,695,398
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 667,014	\$ 218,954
Accrued liabilities	54,583	39,736
	721,597	258,690
SHAREHOLDERS' EQUITY:		
Preferred stock, par value \$100 per share; authorized 500,000 shares; no shares outstanding	-	-
Common stock, par value \$.01 per share; authorized 120,000,000 shares; outstanding 56,813,156 and 25,955,103 shares, respectively	568,132	259,551
Additional paid-in capital	48,840,445	32,492,127
Accumulated (deficit) during development stage	(26,760,987)	(23,314,970)
	22,647,590	9,436,708
	\$ 23,369,187	\$ 9,695,398

</TABLE>

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

1

<TABLE>
<CAPTION>

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

	For the nine months ended July 31,	For the period from November 5, 1982 (inception) through July 31, 1996
	1996	1995
<S>	<C>	<C>

SALES	\$ -	\$ -	\$ -
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES, including research and development expenses of approximately \$2,450,000, \$1,513,000 and \$19,335,000, respectively	3,901,799	2,314,749	29,882,241
INTEREST INCOME	455,782	239,808	3,121,254
NET (LOSS)	(\$ 3,446,017)	(\$ 2,074,941)	(\$ 26,760,987)
NET (LOSS) PER SHARE OF COMMON STOCK	(\$0.06)	(\$0.04)	(\$0.60)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	54,024,087	50,145,208	44,839,159

</TABLE>

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

2

<TABLE>
<CAPTION>

COPYTELE, INC.

(Development Stage Enterprise)

CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

	For the three months ended July 31,	
	1996	1995
<S> SALES	<C> \$ -	<C> \$ -
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES, including research and development expenses of approximately \$989,000 and \$553,000, respectively	1,698,258	835,420
INTEREST INCOME	218,866	91,066
NET (LOSS)	(\$ 1,479,392)	(\$ 744,354)
NET (LOSS) PER SHARE OF COMMON STOCK	(\$0.03)	(\$0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	56,289,270	50,758,630

</TABLE>

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

3

<TABLE>
<CAPTION>

COPYTELE, INC.

(Development Stage Enterprise)

CONDENSED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM NOVEMBER 5, 1982 (INCEPTION) THROUGH JULY 31, 1996 (UNAUDITED)

Accumulated
(Deficit)

	Common Stock		Additional Paid-in Capital	During Development Stage
	Shares	Par Value		
<S>	<C>	<C>	<C>	<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	-

Continued

4

<CAPTION>

COPYTELE, INC.

(Development Stage Enterprise)

CONDENSED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM NOVEMBER 5, 1982 (INCEPTION) THROUGH JULY 31, 1996 (UNAUDITED)

Continued

	Common Stock		Additional Paid-in Capital	Accumulated (Deficit) During Development Stage
	Shares	Par Value		
<S>	<C>	<C>	<C>	<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	-
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 from September 1993 through July 1996	618,590	6,186	2,877,372	-
Common stock issued upon exercise of stock options from December 16, 1992 to July 18, 1996 under stock option plans, net of registration costs	4,545,340	45,453	28,231,809	-
Accumulated (deficit) during development stage	-	-	-	(26,760,987)
BALANCE, July 31, 1996	56,813,156	\$ 568,132	\$ 48,840,445	(\$ 26,760,987)

</TABLE>

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

5

<TABLE>
<CAPTION>

COPYTELE, INC.

(Development Stage Enterprise)

CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the nine months ended July 31,		For the period from November 5, 1982 (inception) through July 31, 1996
	1996	1995	
<S>	<C>	<C>	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers, employees and consultants	(\$ 3,493,258)	(\$ 2,213,524)	(\$ 28,712,148)
Interest received	455,445	244,944	3,084,712
Net cash (used in) operating activities	(3,037,813)	(1,968,580)	(25,627,436)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchases of property and equipment	(181,286)	(33,907)	(1,111,548)
Disbursements to acquire certificates of deposit and corporate notes and bonds	-	-	(12,075,191)
Proceeds from maturities of investments	-	-	12,075,191
Investment made in Joint Venture Company	(857,500)	(367,500)	(1,225,000)
Net cash (used in) investing activities	(1,038,786)	(401,407)	(2,336,548)
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 disbursements	16,656,899	4,845,236	31,825,838
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	16,656,899	4,845,236	49,408,577
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,580,300	2,475,249	21,444,593
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	8,864,293	6,244,801	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 21,444,593	\$ 8,720,050	\$ 21,444,593

Continued

6

<CAPTION>

COPYTELE, INC.

(Development Stage Enterprise)

CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

Continued

	For the nine months ended July 31,		For the Period from November 5, 1982 (inception) through July 31, 1996
	1996	1995	
<S>	<C>	<C>	<C>
RECONCILIATION OF NET (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES:			
Net (loss)	(\$ 3,446,017)	(\$ 2,074,941)	(\$ 26,760,987)
Pro-rata share of Joint Venture Company losses	90,549	-	108,362
Depreciation and amortization	83,460	45,567	778,521
(Increase) Decrease in accrued interest receivable	(337)	5,136	(36,543)
(Increase) Decrease in prepaid expenses and other current assets	(11,133)	26,849	(63,584)
(Increase) Decrease in other assets	(16,947)	4,768	(174,507)
Increase in accounts payable and accrued liabilities related to operating activities	262,612	24,041	521,302
Net cash (used in) operating activities	(\$ 3,037,813)	(\$ 1,968,580)	(\$ 25,627,436)

</TABLE>

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

7

<TABLE>
<CAPTION>

COPYTELE, INC.

(Development Stage Enterprise)

CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the three months ended July 31,	
	1996	1995
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments to suppliers, employees and consultants	(\$ 1,513,631)	(\$ 872,917)
Interest received	191,816	96,434
Net cash (used in) operating activities	(1,321,815)	(776,483)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property and equipment	(28,901)	(18,711)
Investment made in joint venture subsidiary	(367,500)	(367,500)
Net cash (used in) investing activities	(396,401)	(386,211)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options and warrants, net of registration disbursements	9,254,228	3,007,126
Net cash provided by financing activities	9,254,228	3,007,126
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,536,012	1,844,432
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	13,908,581	6,875,618
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 21,444,593	\$ 8,720,050
RECONCILIATION OF NET (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES:		
Net (loss)	(\$ 1,479,392)	(\$ 744,354)
Pro-rata share of Joint Venture Company losses	62,153	-
Depreciation and amortization	37,089	15,439
(Increase) Decrease in accrued interest receivable	(27,050)	5,368
(Increase) Decrease in prepaid expenses	(13,404)	16,893

(Increase) Decrease in other assets	(53,326)	9,741
Increase (Decrease) in accounts payable and accrued liabilities related to operating activities	152,115	(79,570)
	-----	-----
Net cash (used in) operating activities	(\$ 1,321,815)	(\$ 776,483)
	=====	=====

</TABLE>

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

8

COPYTELE, INC.

(Development Stage Enterprise)

NOTES TO CONDENSED FINANCIAL STATEMENTS

JULY 31, 1996 (UNAUDITED)

(1) Summary of significant accounting policies and other disclosures:

During 1995 the Company entered into a joint venture located in Shanghai, China with Shanghai Electronic Components Corp. ("SECC") and Shanghai International Trade and Investment Developing Corp. ("SIT") having a 20 year duration. The joint venture, Shanghai CopyTele Electronics Co., Ltd. ("Shanghai CopyTele" or "Joint Venture"), was formed with the Company owning a 55% interest in capital and profits. The remaining interest is 35% owned by SECC, and 10% owned by SIT (See Note 2, Investment in Joint Venture). The Company, pursuant to a Technology License Agreement, has licensed its flat panel application technology to the Joint Venture for exclusive use in China. It is contemplated that the Joint Venture, in conjunction with the Company and SECC, will develop, manufacture and market products worldwide in the telecommunications field. Reference is made to "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion involving the Joint Venture. On April 17, 1996, the Company and SECC signed a Letter of Intent with respect to a second joint venture which would manufacture and sell electronic components and parts used in Shanghai CopyTele's products and in products of other manufacturers (the "Second Joint Venture", and together with the Joint Venture, the "Joint Ventures").

The Company is producing production-ready prototypes of the MAGICOM product, a multi-functional telecommunications product, that is directed toward the higher end of its potential market. The MAGICOM product is a unique telephone based multi-functional telecommunications product incorporating the Company's flat panel and associated proprietary hardware and software technology. The Company believes that the features of the MAGICOM product will position the product for the needs of the developing digital information field and various on-line services.

Reference is made to the October 31, 1995 audited financial statements and notes thereto included in the Company's Annual

9

Report on Form 10-K for the fiscal year ended October 31, 1995, for more extensive disclosures than contained in these condensed financial statements.

The Company, which controls four of the seven votes of Shanghai CopyTele's board of directors, has reflected its investment in the Joint Venture under the equity method of accounting in the accompanying condensed financial statements. Under certain circumstances, decisions involving the Joint Venture require either a unanimous or two-thirds vote of Shanghai CopyTele's board of directors.

The information contained herein for the nine and three month periods ended July 31, 1996 and 1995 and for the period from November 5, 1982 (inception) through July 31, 1996 is unaudited, but 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. The results of operations for interim periods may not necessarily reflect the annual operations of the Company.

The Company invests principally in short term highly liquid financial instruments with maturities of less than three months, which have been classified as cash equivalents in the accompanying condensed balance sheets. The cost of these investments approximates market value.

The Company has not yet determined how Statement of Financial Accounting Standard ("SFAS") No. 123, Accounting for Stock Based Compensation will be implemented and, accordingly, has not yet determined what impact it will have on the Company's financial statements. This statement will be adopted by the Company no later than fiscal 1997. The Company has adopted all other recently issued accounting standards which have a material impact on its condensed financial statements.

(2) Investment in Joint Venture:

The Company has contributed \$1,225,000 in cash and technology which has been valued for purposes of the Joint Venture at \$700,000. The Joint Venture does not reflect the \$700,000 in technology as an asset or equity investment in the condensed financial statements presented below. SECC and SIT have contributed cash aggregating \$1,575,000. The Company has reflected its investment in the Joint Venture under the equity method of accounting (See Note 1, Summary of significant accounting policies and other disclosures) and will recognize losses on the Joint Venture to the extent of its cash investment.

10

Condensed financial information for Shanghai CopyTele at July 31, 1996 and for the nine month period ended July 31, 1996:

Condensed Balance Sheet

(Unaudited)

Cash	\$1,215,709
Other Current Assets	24,330
Land occupancy rights	308,760
Fixed assets, net, and construction in progress	658,418
Restricted Cash	433,502

Total Assets	\$2,640,719
	=====
Accrued Expenses	37,741
Capital	2,602,978

Total Liabilities and Capital	\$2,640,719
	=====

Condensed Statement of Operations

(Unaudited)

Net sales	\$ -
Operating (loss)	(179,016)
Interest Income	14,381

Net (Loss)	(\$164,635)
	=====

(3) Stock option plans:

Information regarding the Company's stock option plan, adopted by the Board of Directors on April 1, 1987 (the "1987 Plan"), from October 31, 1995 to July 31, 1996, after adjustments for the two-for-one stock split declared in May 1996, is as follows:

	Shares	Range of Option Price Per Share
	-----	-----
Shares under option at October 31, 1995	1,768,120	\$2.09 - \$ 6.94
Exercised	(973,760)	\$2.09 - \$ 6.38

Shares under option at July 31, 1996	794,360	\$2.47 - \$ 6.94
	=====	=====

11

The exercise price with respect to each option granted under the 1987 Plan from its inception was equal to at least the fair market value of the underlying common stock of the Company (the "Common Stock") on the date of grant. As of July 31, 1996, all of the options to purchase shares of Common Stock granted and outstanding under the 1987 Plan were exercisable. Upon the approval of the CopyTele, Inc. 1993 Stock Option Plan (the "1993 Plan") by the Company's shareholders in July 1993, which had been adopted by the Company's Board of Directors on April 28, 1993, the 1987 Plan was terminated with respect to the grant of future options. The 1993 Plan was amended as of May 3, 1995 and May 10, 1996 to, among other things, increase the number of shares of the Company's Common Stock available for issuance pursuant to grants thereunder from 6 million to 20 million, as adjusted for the two-for-one stock split declared in May 1996.

Information regarding the 1993 Plan from October 31, 1995 to July 31, 1996 after adjustments for the two-for-one stock split declared in May 1996, is as follows:

	Shares -----	Range of Option Price Per Share -----
Shares under option at October 31, 1995	8,893,200	\$ 2.44 - \$ 8.50
Granted	3,620,000	\$ 4.75 - \$ 8.00
Exercised	(3,613,840) -----	\$ 2.44 - \$ 6.38
Shares under option at July 31, 1996	8,899,360 =====	\$ 2.81 - \$ 8.50 =====

The exercise price with respect to each option granted under the 1993 Plan from its inception was equal to at least the fair market value of the underlying Common Stock on the date of grant. As of July 31, 1996, 5,929,360 of the options to purchase shares of Common Stock granted and outstanding under the 1993 Plan were exercisable. At that date, 6,788,000 options were available for future grants under the 1993 Plan.

From August 1, 1996 through September 6, 1996, the Company received proceeds aggregating approximately \$198,750 relating to the exercise of options to purchase 60,000 shares of Common Stock pursuant to the 1993 Plan.

As of September 6, 1996, 5,969,360 of the 8,839,360 options to

purchase shares of Common Stock granted and outstanding under the 1993 Plan were exercisable.

(4) Warrants to purchase common stock:

Information from October 31, 1995 to July 31, 1996 regarding warrants previously issued by the Company, primarily to members of the immediate families of its Chairman of the Board and its President in conjunction with the sale of its Common Stock, after adjustments for anti-dilutive provisions and the two-for-one stock split declared in May 1996, is as follows:

	Shares -----	Current Weighted Average Exercise Price Per Share -----
Shares covered by warrants at October 31, 1995	852,666	\$ 3.90
Warrants exercised	(315,350)	\$ 2.40
Warrants expired	(53,200) -----	\$ 1.88
Shares covered by warrants at July 31, 1996	484,116 =====	\$ 5.07 =====

The exercise price of each warrant was equal to at least the fair market value of the underlying Common Stock on the date of issuance of such warrant. As of July 31, 1996, all of the warrants to purchase shares of Common Stock issued and outstanding were exercisable.

(5) Stock Split:

On May 24, 1996 the Company declared a two-for-one stock split, effected in the form of a 100% stock dividend, payable on June 17, 1996 to shareholders of record as of June 4, 1996. The weighted average number of shares outstanding and net loss per share amounts in the accompanying financial statements have been restated to reflect the stock split.

The Company, which is a development stage enterprise, was incorporated on November 5, 1982 and has had no revenues to support its operations since its inception. The Company's principal activities are the development of products, further enhancements of its flat panel and its interest in Shanghai CopyTele, the Company's 55% owned joint venture in Shanghai, China, which is accounted for under the equity method of accounting (See Notes 1 and 2 to the Company's condensed financial statements). There is no assurance, and the Company is not able to predict, if and when marketable telecommunications products incorporating the Company's flat panel technology will be produced or sold in commercial quantities. Even if the Company were to produce marketable products, directly or through the Joint Venture, there is no assurance that the Company will generate revenues in the future, will have sufficient revenues to generate profit or that other products will not be produced by other companies that will render the products of the Company or the Joint Venture obsolete.

In reviewing Management's Discussion and Analysis of Financial Condition and Results of Operations, reference is made to the Company's Condensed Financial Statements and the notes thereto.

Except for the historical information contained herein, the matters discussed in this Quarterly Report on Form 10-Q are forward-looking statements relating to future events which involve certain risks and uncertainties, including those identified herein and in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1995 (the "1995 10-K"). See "Business" and Note 1 to the Company's Financial Statements contained in the 1995 10-K for discussions regarding uncertainties that may significantly affect the results of operations, future liquidity and capital resources.

Results of Operations

Selling, general and administrative expenses for the nine and three month periods ended July 31, 1996 and 1995 and for the period from November 5, 1982 (inception) through July 31, 1996 were approximately \$3,902,000, \$2,315,000, \$1,698,000, \$835,000 and \$29,882,000, respectively. These amounts include research, development and tooling costs of approximately \$2,450,000, \$1,513,000, \$989,000, \$553,000 and \$19,335,000, respectively, as well as normal operating expenses. The increase in selling, general and administrative expenses during the nine and three months ended July 31, 1996 as compared to the same periods ended in 1995 resulted primarily

14

from increases in expenditures for engineering supplies and services necessitated by the present phase of the Company's development program and related activities. Professional fees increased during the fiscal 1996 periods, especially patent application preparation and filing fees. Other increases in professional fees were offset by a decrease in legal fees not related to patents. Initial marketing costs were incurred during the fiscal 1996 periods as a result of the opening and staffing of a marketing office, retention of public relations and advertising firms and the initial production of advertising materials. Other expense categories such as compensation and related cost, rent and travel expenditures also increased during the fiscal 1996 periods. The Company has added personnel in marketing and engineering and increased the size of its facilities during the fiscal 1996 periods. The nine and three month periods ended July 31, 1996 also include the Company's portion of the Joint Venture loss.

Since November 1985, the Company's Chairman of the Board and its President have waived salary and related pension benefits for an undetermined period of time. Four other individuals, including a former officer and senior level personnel, waived salary and related pension benefits from January 1987 through December 1990. Commencing in January 1991, these four individuals waived such rights for an undetermined period of time and they did not receive salary or related pension benefits through December 1992. The Company's Chairman of the Board, its President and the three senior level personnel (exclusive of the former officer) continued to waive such rights commencing in January 1993 for an undetermined period of time. One additional senior level employee also is currently waiving such salary and benefit rights for an undetermined period of time.

The increase in interest income during both the nine and three months ended July 31, 1996 as compared to the same periods ended in 1995 primarily resulted from an increase in funds available for investment offset, to a lesser extent, by slightly lower interest rates. Funds available for investment during the nine and three month periods ended July 31, 1996 and 1995, on a monthly weighted average basis, were approximately \$14,640,000, \$6,650,000, \$21,380,000 and \$7,766,000, respectively. The investment instruments selected by the Company are principally money market accounts, treasury bills and commercial paper.

The Company has not yet determined how Statement of Financial Accounting Standard ("SFAS") No. 123, Accounting for Stock Based Compensation will be

implemented and, accordingly has not yet determined what impact it will have on the Company's financial statements. This statement will be adopted by the Company no later than fiscal 1997. The Company has adopted all

15

other recently issued accounting standards which have a material impact on its condensed financial statements.

Liquidity and Capital Resources

Since its inception, the Company has met its liquidity and capital expenditure needs primarily from the proceeds of the sales of 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 exercise of stock options pursuant to the 1987 Plan and the 1993 Plan.

From November 1, 1995 to July 31, 1996, the Company received proceeds aggregating approximately \$15,901,000 relating to the exercise of options to purchase 4,587,600 shares of Common Stock under the 1987 and 1993 Plans. In addition, from August 1, 1996 to September 6, 1996, the Company received proceeds aggregating approximately \$198,750 relating to the exercise of options to purchase 60,000 shares of Common Stock under the 1993 Plan.

The Joint Venture contemplates an initial investment of \$7,000,000, of which half is expected to be borrowed from banks, and capital investment of \$3,500,000. The Company has contributed \$1,225,000 in cash and SECC and SIT have contributed \$1,575,000 in cash to the Joint Venture (See Notes 1 and 2 to the Company's condensed financial statements). The Joint Venture may require capitalization of up to \$25 million, depending upon the nature and extent of its business activities.

As stipulated in the letter of intent signed with SECC, the Second Joint Venture is expected to have an initial capitalization of approximately \$2,000,000, of which half would consist of bank borrowings. The Company would invest cash of approximately \$550,000 and SECC would contribute cash, equipment and technology collectively valued at \$450,000. The Second Joint Venture may require an ultimate capitalization of up to \$10 million depending on the nature and extent of its business activities, which if necessary, is expected to be financed through a combination of bank borrowings and equity investments contributed by the parties in proportion to their equity interests and on terms to be agreed upon. It is anticipated that a joint venture agreement and receipt of all necessary governmental approvals can be completed by the end of 1996.

The Company believes that even without sales it will have sufficient funds through fiscal 1999 to maintain its present level of development efforts and to make its anticipated capital contribution of \$550,000 to the Second Joint Venture.

16

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 senior level personnel will continue. The Company anticipates that it may require additional funds in order to participate in the Joint Ventures following its initial capital contributions and to continue its research and development activities.

The National Association of Securities Dealers, Inc. ("NASD") requires that the Company maintain a minimum of \$4,000,000 of net tangible assets to maintain its NASDAQ - NMS listing. The Company anticipates that it will seek additional sources of funding, when necessary, in order to satisfy the NASD requirements.

The Company currently has no plans with respect to additional financing. There can be no assurance that adequate funds will be available to the Company or the Joint Ventures, including any future capital contribution, if any (beyond its initial capital contributions of \$1,225,000 to the Joint Venture and the anticipated capital contribution of \$550,000 to the Second Joint Venture) and its NASD funding requirements, or that, if available, the Company or the Joint Ventures will be able to obtain such funds on favorable terms and conditions.

17

PART II - OTHER INFORMATION

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

At the Company's Annual Meeting of Shareholders held on July 24, 1996, five directors were elected, an amendment to the CopyTele, Inc. 1993 Stock Option Plan was approved and the selection of Arthur Andersen LLP, independent public accountants, to audit the financial statements of the Company for the fiscal year ending October 31, 1996 was ratified. The following is a tabulation of the voting with respect to the foregoing matters:

(a) Election of directors -

Nominee -----	For ---	Withheld -----
Denis A. Krusos	45,935,980	486,520
Frank J. DiSanto	45,938,280	484,220
John R. Shonnard	45,796,480	626,020
John E. Gillies	45,799,120	623,380
Gerald J. Bentivegna	45,940,120	482,380

- (b) Approval of Amendment to the CopyTele, Inc. 1993
Stock Option Plan -

For ---	Against -----	Abstain -----	Broker Nonvotes -----
23,815,714	4,145,286	382,735	18,078,765

- (c) Ratification of selection of Arthur Andersen LLP -

For ---	Against -----	Abstain -----
44,203,402	1,697,535	527,563

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

- (a) Exhibits

27 - Financial Data Schedule

- (b) Reports on Form 8-K.

No reports on Form 8-K were filed for the Company during the quarter ended July 31, 1996.

18

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.

DENIS A. KRUSOS

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

September 13, 1996

FRANK J. DISANTO

Frank J. DiSanto
President and Director

September 13, 1996

GERALD J. BENTIVEGNA

Gerald J. Bentivegna
Vice President - Finance and
Chief Financial Officer and
Director (Principal Financial
and Accounting Officer)

September 13, 1996

19

EXHIBIT INDEX

Exhibit No. -----	Exhibit -----
27	- Financial Data Schedule

20

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

This Schedule contains summary financial information extracted from the financial statements contained in the body of the accompanying Form 10-Q and is qualified in its entirety by reference to such financial statements.

</LEGEND>

<MULTIPLIER>

1

<S>

<C>

<PERIOD-TYPE>

9-MOS

<FISCAL-YEAR-END>

OCT-31-1995

<PERIOD-END>

JUL-31-1996

<CASH>

21,444,593

<SECURITIES>

0

<RECEIVABLES>

0

<ALLOWANCES>

0

<INVENTORY>

0

<CURRENT-ASSETS>

21,544,720

<PP&E>

1,307,202

<DEPRECIATION>

773,880

<TOTAL-ASSETS>

23,369,187

<CURRENT-LIABILITIES>

721,597

<BONDS>

0

<PREFERRED-MANDATORY>

0

<PREFERRED>

0

<COMMON>

568,132

<OTHER-SE>

22,079,458

<TOTAL-LIABILITY-AND-EQUITY>

23,369,187

<SALES>

0

<TOTAL-REVENUES>

0

<CGS>

0

<TOTAL-COSTS>

3,901,799

<OTHER-EXPENSES>

(455,782)

<LOSS-PROVISION>

0

<INTEREST-EXPENSE>

0

<INCOME-PRETAX>

(3,446,017)

<INCOME-TAX>

0

<INCOME-CONTINUING>

(3,446,017)

<DISCONTINUED>

0

<EXTRAORDINARY>

0

<CHANGES>

0

<NET-INCOME>

(3,446,017)

<EPS-PRIMARY>

(.06)

<EPS-DILUTED>

0

</TABLE>