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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended October 31, 1999

or

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

Commission file number: 0-11254

COPYTELE, INC.

- --
(Exact Name of Registrant as Specified in its Charter)

Delaware	11-2622630
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

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

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

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

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.01 par value

- --
(Title of Class)

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

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

Aggregate market value of the voting stock (which consists solely of shares of Common Stock) held by non-affiliates of the registrant as of January 21, 2000, computed by reference to the closing sale price of the registrant's Common Stock on the NASDAQ National Market System on such date ($1.13): $61,406,422.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes [_] No [_]

On January 21, 2000, the registrant had outstanding 60,927,376 shares of Common Stock, par value $.01 per share, which is the registrant's only class of common stock.

DOCUMENTS INCORPORATED BY REFERENCE:
NONE

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PART I

Item 1. Business

Forward-Looking Statements

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

Report on Form 10-K under the heading "General Risks and Uncertainties" below. Except as required by law, we undertake no obligation to update forward-looking statements made in this Annual Report on Form 10-K or otherwise.

Overview

CopyTele, Inc. is a development stage enterprise. Our principal activities include the development, production and marketing of multi-functional encryption products, under the Cryptele(TM) brand name, which provide high-grade information security for domestic and international users over virtually any communications media. The first encryption products we have produced under this product line are the USS-900 (Universal Secure System) and the SCS-700 (Secure Communication System). The USS-900 is a hardware based peripheral digital encryption system which incorporates the Harris Corporation encryption digital cryptographic chip-- the Citadel(TM) CCX - to provide high-grade information encryption. The SCS-700 combines the USS-900 with a modified version of the Magicom(R) 2000, our first developed product, to provide a secure telephone based multi-functional telecommunications system incorporating our E-Paper(TM) flat panel display technology.

We are also continuing our research and development activities for additional encryption products and other flat panel displays in addition to our patented, compact, ultra-high resolution, charged particle, E-Paper(TM) flat panel display technology. The additional flat panel display technologies include simplified E-Paper(TM) and thin film designs suitable for low-cost plastic displays using printing techniques and field emission displays. We are also continuing our efforts to develop coated particles derived from our E-Paper(TM) flat panel display technology. If developed, these coated particles could potentially be used by manufacturers of toners and pigments.

We initially formed Shanghai CopyTele Electronics Co., Ltd., our 55% owned joint venture in Shanghai, China, in 1995 to produce and market Magicom(R) 2000 and to supply it to us for sale outside of China. Shanghai CopyTele currently supplies a portion of the electronic components, sub-assemblies and accessories for use in the USS-900 and also produces the modified Magicom(R) 2000 units used in the SCS-700.

We were incorporated on November 5, 1982 under the laws of the State of Delaware. Our principal executive offices are located at 900 Walt Whitman Road, Melville, New York 11747 and our telephone number is 631-549-5900.

General Risks and Uncertainties

We have had limited sales to dealers, distributors and other customers to support our operations since our inception. We have expended approximately $31 million for research and development since our inception. We have had net losses and negative cash flow from operations in each year of our business since inception and we may continue to incur substantial losses and experience substantial negative cash flows from operations. See Notes 1 and 2 to our Financial Statements.

Based on reductions in operating expenses that have been made and additional reductions that may be implemented, if necessary, we believe that our cash resources, including cash received from November 1, 1999 to January 27, 2000, will be sufficient until at least the end of fiscal 2000. We anticipate that, thereafter, we may continue to require additional funds to continue our marketing, research and development activities, if cash generated from operations is insufficient to satisfy our liquidity requirements. We may seek to sell debt or equity securities or to obtain a line of credit, if needed. In addition, we may need to raise additional equity financing to satisfy an NASD requirement that we have a minimum of $4 million of net tangible assets to maintain our Nasdaq National Market listing. The NASD also requires that we maintain a minimum bid price of at least $1.00 per share in order to continue our listing. If our stock were delisted, the delisting could potentially have an adverse affect on the market price of our common stock and the liquidity of our shares. We cannot give you any assurance that additional financing, if needed, will be available to us or that, if available, we will be able to obtain additional financing on favorable terms and conditions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources".

Our encryption products are only in their initial stages of production and marketing. The success and profitability of these products will depend upon many factors, many of which are beyond our control, including:

- our ability to successfully market the USS-900 and SCS-700;
- our continuing ability to purchase the Citadel(TM)CCX encryption chip from Harris for use in the USS-900;
- our production capabilities and those of our suppliers as required for the production of the USS-900, and the modified Magicom(R)2000 for the SCS-700;
- long-term product performance and the capability of our dealers and distributors to adequately service our products;
- our ability to maintain an acceptable pricing level to end-users for our products;
- the ability of suppliers to meet our requirements and schedule;
- our ability to obtain adequate supplies of substrates for the SCS-700;
- our ability to successfully develop our new products under development, particularly our new encryption products;

- rapidly changing consumer preferences; and

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

Consequently, we cannot give you any assurance that we will generate sufficient revenues to support our operations in the future or that we will have sufficient revenues to generate profits.

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

Products

Encryption Products

The USS-900 and the SCS-700 are our first encryption products in the market place under the Cryptele(TM) brand name. The following is a brief description of each product.

USS-900

The USS-900 is a hardware based peripheral digital encryption system which incorporates the Harris digital cryptographic chip - the Citadel(TM) CCX - to provide high-grade information encryption. We developed and are currently producing the USS-900 in cooperation with Harris under a three-year agreement entered into in July 1999. Under the terms of this agreement, we are responsible for the production, development, manufacturing and marketing of the USS-900, and Harris has agreed to sell us the Citadel(TM) CXX encryption chip at a negotiated price, based in part on sales of the USS-900. Harris also has agreed that all USS-900 units may be marked or labeled with the designation "Secured by Harris". In addition, the agreement provides that, for the term of the agreement, neither Harris nor CopyTele will participate with any other entity in the design, development or manufacture of a product functionally equivalent to the USS-900 unless agreed upon by both parties.

The encryption technology of the USS-900 encodes information through a complex mathematical formula called an algorithm. The algorithm requires a secret "key" to both encrypt and decrypt information. Only the secret key used to encrypt the information can be used to decrypt the information. The product automatically generates new secret keys electronically with each call. The USS-900 easily interfaces with telephones, fax machines or computers to encrypt information communicated over ordinary telephone lines or via the internet. A USS-900 is required at both the sending and receiving end when communicating encrypted information over any communications media.

The USS-900 is a compact device that is 6" deep x 4.38" wide x 1.38" high and weighs approximately 9 ounces. The three major components of the unit are the Citadel(TM) CXX encryption chip, a digital signal processor and modems enclosed in a plastic case. The unit is portable, has low power consumption and has UL, FCC and export approvals. The most significant features of this product include the following:

- Secure E-mail Attachments - encrypts any computer file to be utilized as an e-mail attachment which can be sent over the Internet or an ordinary telephone line.

- Secure Voice Communication - interfaces with any analog telephone allowing easy encryption of voice communication.

- Secure Fax Communication - interfaces with any fax machine attended or unattended, ensuring cryptographic communication of information.

- Secure Point-to-Point File Transfers - interfaces with a computer ensuring cryptographic communication of information between computers.

- File Storage - interfaces with any computer, with the utilization of a provided CD ROM, to encrypt and decrypt computer files with the use of a single USS-900. The encrypted files can be stored on the computer, on networks or on the Internet.

- Secure Simultaneous Voice and Data Communication (SVD) - interfaces with a telephone and computer to allow secure simultaneous voice communication and point-to-point file transfer over ordinary telephone lines.

- Secure Voice Teleconferencing - interfaces with multiple telephone lines to provide multi-persons encrypted communications over ordinary telephone lines.

- Secure Multi-Capability - interfaces with telephones, fax machines and computers to perform secure and encrypted voice, fax and point-to-point data communication all on the same phone call.

- Tonal and Pulse Dialing - interfaces with telephones and fax machines that have either tonal or pulse dialing systems to provide voice or fax communications.

SCS-700

The SCS-700 is a system that contains a modified version of the Magicom(R) 2000 and the USS-900. The Magicom(R) 2000 now contains additional hardware and software that enable it to interface with the USS-900 and, as a result, operate as a secure communication system known as the SCS-700. The modified Magicom(R) 2000 unit incorporates our E-Paper(TM) flat panel display technology (see "E-PaperTM Flat Panel Display") making the SCS-700 a multi-functional screen based secured communication system that can provide various functions, including the following:

- communicate by e-mail over the Internet;
- provide all functions over a single telephone line, including simultaneous voice and electronic handwriting and editing of documents;
- input and retrieve documents to and from a computer's storage;
- edit and transmit received documents;
- send and receive full page paperless faxes;
- rapidly scan documents, pictures and drawings into a computer;
- send and receive handwritten information; and
- encrypted communications.

The SCS-700 is compatible with and can send information to fax machines and computers. In addition, it can interface with any printer, including our Magic Printer, to print received information. The SCS-700, with the USS-900 as a component, is able to provide high-grade information security for all SCS-700 functions, including the ability to secure voice, fax, data and simultaneous voice and handwriting communications.

The high resolution of our E-Paper(TM) flat panel display has enabled us to produce a compact, lightweight product (approximately 8 pounds when used in conjunction with the USS-900 unit) capable of displaying a full page of information, which is considerably smaller than conventional lower resolution displays would allow. The product size is suitable for office and home use.

Magic Printer

We developed, in conjunction with a Japanese supplier, a small portable printer called Magic Printer. Our sales of Magic Printer to date have been minimal. As of October 31, 1999, we had approximately 2,200 printers in inventory which are being marketed as an optional accessory for the SCS-700 where desk space is at a premium or for use with personal, notebook, or laptop computers. We will determine in the future whether to continue with the Japanese supplier or seek other sources.

New Products Under Development

Encryption Products

We are in the process of developing three new high-speed hardware based encryption devices that can be inserted into personal computers or cellular phones. One device is a PCMIA-Card (Personal Computer Memory Card International Association) for the mobile laptop market. The other is a PCI-Card (Peripheral Component Interconnect) for the desktop market. Each of these devices would bring very high-speed and high grade secure hardware encryption to their intended products. As for the third device, we have commenced the design process for an attachment for cellular phones that would encrypt voice and data information. We have completed the hardware design of the PCMIA-Card and PCI-Card products and are now developing the software. If we can successfully develop all three of these products, they could be used to encrypt all types of computer data including files stored on computer networks and cellular voice and data. These products also could be used in a wide range of applications including business, personal and financial security.

Coated Particles

During 1999, using the coated particles technology that we developed for the fluid contained in the E-Paper(TM) flat panel display, we continued our efforts to develop coated particles that could be used in pigments and toners for printers and copiers. These particles would have a very narrow range of size as compared to those currently available in printers and copiers. We believe this enhancement would result in better resolution, less color degradation with time, and more consistent response to an applied electric field than is presently available in commercial products. In addition, we anticipate that the coated particles fabrication process will be simplified and will not require mechanical procedures of grinding and extensive sieving. We are investigating the possibility of licensing this technology or forming joint arrangements with companies that produce pigments and toners.

Flat Panel Display Technology

During 1999, we continued to produce our E-Paper(TM) flat panel display and to pursue our efforts to develop new technologies for color and video flat panel displays.

E-Paper(TM) Flat Panel Display

The E-Paper(TM) flat panel display incorporated in the SCS-700 posesses a combination of features that are not presently available in other display screens. These features include:

- ultra-high resolution;
- compatibility with fax terminals -- 200 lines per inch in the horizontal and vertical directions with up to a full page of information with real-time display;
- a minimal amount of inactive space between pixels or picture elements allowing the image to appear smoother;
- image retention without refreshing which has eliminated the need for image repetition with resulting flicker and operator fatigue;
- approximately 180 degree viewing angle;
- low power consumption for writing; and
- image retention with minimal power consumption.

Our 7.8 inch diagonal flat panel is one of the principal features of the SCS-700 product. This flat panel has 1,280 lines by 896 lines with a resolution of 200 lines per inch in both directions containing approxmately 1,150,000 pixels, and has an image area of approximately 6.4 x 4.5 inches.

Included as an integral part of our E-Paper(TM) flat panel display is a plastic tip pen and touch writing screen. Due to the ultra-high resolution of the display, any language may be clearly written with the use of the plastic tip pen. The E-Paper(TM) flat panel display also incorporates an integrated front illumination system. This system provides viewing of the flat panel from nighttime to sunlight ambient light conditions. By incorporating these capabilities, our E-Paper(TM) flat panel display provides clear and comfortable viewing, from any angle, of pictures, text in any language, and graphics.

We have in inventory a sufficient quantity of flat panel glass substrates and displays to meet our current marketing requirements. We are in the process of developing a simplified and, hopefully, lower cost version of this display which would incorporate a simpler and unique display structure. If successfully developed, we could use this lower cost display in future simplified versions of the SCS-700. We have produced feasibility models of this simpler display. This display would have the capability of independently controlling pixels to create images. The technology could possibly be suitable for production using printing processes and plastic instead of the glass substrates we currently use in the display. We cannot give you any assurance, however, that we will be able to develop a commercially marketable display of this type. If we cannot, we will have to find another supplier of flat panel glass substrates once our current supply is exhausted, or incorporate the FED technology into an updated version of the SCS-700. We cannot give you any assurance, however, that we will be able to obtain an adequate supply of these substrates or successfully incorporate the FED technology.

Color and Video Flat Panels

Thin Film Video Color Display (Field Emission Display)

During 1999, we continued our relationship with Volga Svet, Limited, a Russian display company, for the development of an ultra-high resolution thin film color and video emissive flat panel display called "FED" (field emission display). We have been working with Volga during the past year towards developing the engineering prototype models of the FED. Approximately 600 FED display substrates were produced by Volga in connection with the prototype development effort. We visited the Volga research facilities to evaluate and assist Volga with the design and performance of the display. Prototype models displaying multi-color phosphors and matrix configurations were produced to demonstrate the feasibility of this technology. We are continuing to work with Volga in the areas of reliability and reproducibility of the display. This includes performing life and uniformity tests of the display. We expect to continue the development effort during the first quarter of the year 2000 to optimize the operating performance required for manufacturing purposes. If we are able to successfully develop the FED it would utilize a new film-edge, low voltage and a single substrate technology to generate an ultra-high resolution of 230 lines per inch in both the vertical and horizontal direction, or a resolution of more than 50,000 pixels per square inch. This display, which would be only approximately one-third of an inch thick, would provide a full color and video display with almost hemispherical viewing angle, and would be suitable for television, computer and telecommunications devices. We believe that because of its simplified design, if we can successfully develop the display we would be able to produce it using standard semi-conductor fabrication production equipment which, in turn, could potentially result in lower costs to end-users.

Solid State and Optical Display

During 1999, we continued our efforts to develop solid state and optical video and color capability pursuant to development arrangements with a network of U.S.

companies and U.S. universities, including The Center for Advanced Thin Film Technology at the State University of New York at Albany. In connection with these efforts, we produced a variety of arrays of static Mems (micro electromechanical systems) pixels to be used in our display. We also developed a thin film modulator in conjunction with the arrays of static Mems pixels necessary to create high resolution images. The optical modulator viewing surface contains a compound of vanadium which changes its contrast at extremely high speeds when it is electronically energized. As a result, field sequential operation, that is, scanning one primary color at a time, is possible thereby providing higher definition video and color displays on a single silicon substrate. The present pixel array, on a four inch silicon wafer, is 216 lines per inch in both the horizontal and vertical directions, or more than 46,000 pixels per square inch. We plan to continue our development efforts to optimize the fabrication process of the Mems pixel technology in order to select the most reliable pixel and display sizes for the panel. In addition, we have been developing a simplified version of the technology that could be used to display information on signage. We may be able to use this simplified version for printing on plastic substrates. As a result, this display could operate over wide temperature ranges which would make it suitable for both indoor and outdoor applications. We recently demonstrated the feasibility of constructing such a display on a plastic substrate, and we are continuing our development efforts to further refine this technology.

Joint Venture

We formed Shanghai CopyTele on April 10, 1995 pursuant to a Joint Venture Agreement dated March 28, 1995 between CopyTele and Shanghai Electronic Components Corp. Shanghai CopyTele is a limited liability company in Shanghai, China having a duration of 20 years. See Note 3 to our Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources".

Shanghai CopyTele produces the modified Magicom(R) 2000 used in the SCS-700 and supplies us with certain components for the USS-900. Shanghai CopyTele is subject to the rules and regulations of China's legal and economic system as well as its political and economic environment. Although China currently is encouraging a favorable business environment with foreign businesses operating in China, we cannot give you any assurance that rules or regulations will not be put into effect in the future that could diminish or eliminate our ability to produce our product in China or successfully participate in the operations of Shanghai CopyTele.

Production

We initially produced a limited number of USS-900 units which we used for test marketing purposes in the United States and at trade shows. Thereafter, several U.S. based sub-contractors produced additional USS-900 units, some of which we have used to obtain a larger test marketing evaluation and to satisfy initial purchase orders. After we produced the first 400 units, we started using a U.S. based electronic production contractor to produce the USS-900. Shanghai CopyTele supplied portions of the required electronic components, sub-assemblies and accessories for all these units. As of January 21, 2000, we have produced approximately 900 units with approximately 1,000 units in process.

The USS-900 consists of a printed circuit board populated with electrical components and connectors enclosed in a plastic case. The unit contains three main components: the Citadel(TM) CCX encryption chip, a digital signal processor, and modems. The contractor sources all of the components of the unit, with the exception of the Citadel(TM) CCX encryption chip supplied by Harris. Thus far, Shanghai CopyTele has supplied the contractor with a portion of the electronic components, sub-assemblies and accessories for the unit. The contractor will now begin sourcing these components as well. Given normal lead times, we anticipate a readily available supply of all components for the USS-900.

The contractor produces and tests the complete circuit board for the USS-900. We are continuing to perform final assembly and functionality testing of all units prior to shipment to our distributors and customers. We are currently negotiating with the contractor to have it completely assemble and test the units and ship them directly to our distributors and customers. We cannot give you any assurance, however, that we will reach a mutually acceptable arrangement with this contractor.

The SCS-700 contains a modified version of the Magicom(R) 2000. The modified unit has additional hardware and software that enables it to interface with the USS-900 and thereby operate as a secure communication system known as the SCS-700. Shanghai CopyTele produces the modified Magicom(R) 2000 for the SCS-700 system. We then combine the modified Magicom(R) 2000 with the USS-900 to produce the SCS-700. Shanghai CopyTele is also producing additional E-Paper(TM) flat panel displays for use in the production of SCS-700s and for spare parts purposes.

During 1999, Shanghai CopyTele produced or modified approximately 600 Magicom(R) 2000 units, for use in SCS-700s. In addition, we modified a portion of our inventory of Magicom(R) 2000 units so that as of December 31, 1999, we had a sufficient quantity of modified Magicom(R) 2000 units in inventory to meet current demand.

Marketing

USS-900 and SCS-700

Based on input we received regarding our Magicom(R) 2000 unit, during 1999 we revised our marketing strategy to concentrate on developing a universal multi-functional peripheral encryption unit (USS-900) and modifying the Magicom(R) 2000 to interface with the USS-900 and thereby become a multi-functional encryption system (SCS-700). As a result, we are now focusing our marketing efforts on selling our products to selected distributors and dealers who have marketing capabilities in the encryption field. Our sales and marketing office, which consists of a marketing team of 10 sales personnel and independent sales representatives, is implementing this marketing strategy. As a result of our efforts, as of January 21, 2000, two large office equipment suppliers and fifteen distributors and dealers specializing in the encryption field have begun marketing the USS-900. We are marketing the SCS-700 directly, and through several of our dealers, mainly to U.S. and foreign government agencies. We do not have long-term agreements with any of our suppliers, distributors and dealers, other than Harris. Most of our suppliers, distributors and dealers, however, have purchased limited quantities of units under purchase orders mainly for the purpose of evaluating the product and selling it to their customers. The marketing of our products began after the completion of the test marketing phase and the products were launched in late September 1999 at the American Society of Industrial Security trade show.

We provide marketing, service training and technical support to all of our distributors and dealers. During 1999, we, along with our distributors and dealers, demonstrated our encryption products in approximately 13 trade shows. In addition, we demonstrated our products directly to customers of our distributors and dealers to initially measure the products' performance and marketability, and to solicit customers and additional dealers and distributors to further expand our marketing capability.

As part of our effort to launch the USS-900, during 1999 we also retained Fitzgerald Communications, Inc. of Orlando, Florida as our advertising and media agency. Fitzgerald Communications deals with high-technology accounts engaged in business-to-business and business-to-government commerce. Fitzgerald Communications:

o has produced the advertising literature for the Cryptele(TM)brand name;

o is preparing advertising to be placed during the next year in appropriate trade publications; and

o is preparing a campaign to promote us as an encryption product supplier in the trade and financial markets.

Fitzgerald Communications also will provide us with support for trade shows scheduled for the year 2000.

Competition

The USS-900 and SCS-700 are subject to intense competition that exists in the encryption and telecommunications industries. Although successful product and systems development is not necessarily dependent on substantial financial resources, most of our competitors are larger and possess financial resources significantly greater than ours.

There are several other companies that sell hardware and/or software encryption products. We believe, however, that the features included in our USS-900 and the size of the unit distinguish it from the products being sold by these companies.

We believe that the modified Magicom(R) 2000 used in the SCS-700 is a unique product in that it incorporates features of many different products on the market, such as computers, telephones and fax machines. Other products currently available on the market do not combine all the features found in the Magicom(R) 2000 with a high resolution flat panel display. We believe that it is the E-PaperTM flat panel display, with its high resolution and associated features, together with the encryption capability provided by the USS-900 that will distinguish the SCS-700 from other comparable products in the marketplace.

We cannot give you any assurances that products or systems comparable or superior to the USS-900 or the SCS-700 will not be developed which would render the USS-900, the SCS-700 or other products developed by us in the future difficult to market or otherwise obsolete.

Patents

We have received approximately 204 patents, including those from the United States and certain foreign patent offices, expiring at various dates between 2005 and 2017. At the present time, additional patent applications are pending with the United States and certain foreign patent offices. These patents are related to the design, structure and method of construction of the E-PaperTM flat panel display, methods of operating the display, particle generation, applications using the E-PaperTM flat panel display, and for our solid state and thin film video and flat panel display.

We have also filed or are planning to file patent applications for our solid state and optical and thin film video color flat panel display technologies, currently under development, for our coated particles, for our USS-900 technology and for our simplified E-PaperTM Flat Panel Display.

We have licensed a number of our patents covering the E-PaperTM flat panel display (but excluding our manufacturing technology) to Shanghai CopyTele on an exclusive basis in China.

We cannot assure you that patents will be issued for any of our pending applications. In addition, we cannot assure you that any patents held or obtained will protect us against competitors either with or without litigation.

We are not aware that either the USS-900 or the SCS-700 are infringing upon the patents of others. We cannot assure you, however, that other products developed by us, if any, will not infringe upon the patents of others, or that we, along with Shanghai CopyTele, will not have to obtain licenses under the patents of others, although we are not aware of any at this time.

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

Research and Development Expenses

Research and development expenses, which have comprised a significant portion of our selling, general and administrative expenses since our inception, were approximately $3,163,000, $3,926,000, $3,642,000, and $31,474,000 for the fiscal years ended October 31, 1999, 1998 and 1997 and for the period from November 5, 1982 (inception) through October 31, 1999, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" below and our Financial Statements.

Employees and Consultants

We had thirty-five full-time employees and fourteen consultants as of December 31, 1999. Twenty six of these individuals, including our Chairman of the Board and our President, are engaged in research and development. Their backgrounds include expertise in physics, chemistry, optics and electronics. Ten individuals are engaged in marketing and the remaining individuals are engaged in administrative and financial functions for us. None of our employees are represented by a labor organization or union.

As of December 31, 1999, Shanghai CopyTele had approximately 16 employees, of which 7 were engaged in production and 9 were engaged in administrative and other functions.

Item 2. Properties.

We lease approximately 11,200 square feet of office and laboratory research facilities at 900 Walt Whitman Road, Melville, New York (our principal offices) from an unrelated party pursuant to a lease which expires November 30, 2001. Our base rent is approximately $201,000 per annum with a 3% annual increase and an escalation clause for increases in certain operating costs. We have the right to cancel a portion of the lease as of November 30, 2000. This lease does not contain provisions for its renewal and management will continue to evaluate the future adequacy of this facility. We anticipate securing a lease renewal for this facility at the end of the lease term if we determine to remain in the facility. See Note 5 to our Financial Statements.

In February 1996, we entered into a five year lease with an unrelated party for approximately 2,300 square feet of office space in Valhalla, New York. The lease, which expires on June 30, 2001 and is non-renewable, currently provides for a base rent of $55,775 per annum.

In October 1996, we entered into a lease with an unrelated party for approximately 2,000 square feet of office and laboratory space near our principal offices. In May 1997 this lease was modified to add an additional optical facility of approximately 5,000 square feet of space and to extend the lease to June 30, 2000. The modified lease currently provides for a base rent of approximately $50,000 per annum and an escalation clause for increases in certain operating costs.

Shanghai CopyTele owns and operates from a 30,000 square foot, one-story office, warehouse and production facility in the Shanghai Songjiang Industrial Zone, on land acquired pursuant to a 50 year land-use contract dated October 11, 1995, with the Land Administration Bureau of Shanghai County. Shanghai CopyTele has obtained short-term loans from a Chinese bank aggregating approximately U.S. $1,000,000 which are secured by the land-use contract and building. See Note 3 to our Financial Statements.

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

Item 3. Legal Proceedings.

We are not a party to any pending legal proceedings.

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

No matters were submitted by us to a vote of our shareholders during the fourth quarter of our fiscal year ended October 31, 1999.

Executive Officers of the Company

Our only executive officers are Denis A. Krusos, Frank J. DiSanto, Frank W. Trischetta and Gerald J. Bentivegna. The information required to be furnished with respect to these executive officers is set forth in Item 10 Part III of this Annual Report on Form 10-K and is incorporated herein by reference.

PART II

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

Our common stock has been traded on the Nasdaq Stock Market National Market (the "Nasdaq National Market"), the automated quotation system of the National Association of Securities Dealers, Inc. ("NASD") under the symbol "COPY", since October 6, 1983, the date public trading of our common stock commenced. The high and low sales prices as reported by the Nasdaq National Market for each quarterly fiscal period during our fiscal years ended October 31, 1998 and 1999 have been as follows:

Fiscal Period	High	Low
1st quarter 1998	$4.75	$2.38
2nd quarter 1998	4.63	1.78
3rd quarter 1998	4.13	1.13
4th quarter 1998	2.13	0.63
1st quarter 1999	2.31	1.00
2nd quarter 1999	1.88	1.03
3rd quarter 1999	3.31	1.38
4th quarter 1999	1.53	0.69

As of January 21, 2000 the approximate number of record holders of our common stock was 1,250.

No cash dividends have been paid on our common stock since our inception. We have no present intention to pay any cash dividends in the foreseeable future.

Item 6. Selected Financial Data.

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

<TABLE>
<CAPTION>

	As of and for the year ended October 31,					For the period from November 5, 1982 (inception) through October 31, 1999
<S>	<C> 1999	<C> 1998	<C> 1997	<C> 1996	<C> 1995	<C>
Sales	$46,877	$ -	$ -	$ -	$ -	$46,877
Selling General and Administrative Expenses	8,284,717	7,231,557	6,378,368	6,017,580	3,332,312	53,874,851
Loss from Shanghai CopyTele	345,947	377,219	335,391	148,630	17,813	1,225,000
Interest Income	156,075	472,822	913,184	722,800	356,226	4,930,353
Net (Loss)	(8,465,016)	(7,135,954)	(5,800,575)	(5,443,410)	(2,993,899)	(50,159,925)
Net (Loss) Per Share of Common Stock (a)	($.14)	($.12)	($.10)	($.10)	($.06)	($1.06)
Total Assets	8,101,544	13,334,972	19,988,207	24,710,420	9,695,398	
Long Term Obligations	$ -	$ -	$ -	$ -	$ -	
Shareholders' Equity	6,284,777	11,860,913	18,779,142	22,750,273	9,436,708	
Cash Dividends Per Share of Common Stock	$ -	$ -	$ -	$ -	$ -	$ -

</TABLE>

(a) Adjusted for three-for-one stock split declared in October 1985, five-for-four stock split declared in August 1987, two-for-one stock split declared in February 1991 and two-for-one stock split declared in May 1996.

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

Forward-Looking Statements

Information included in this Annual Report on Form 10-K may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties and other factors, some of which are beyond our control, that could cause actual results to differ materially from those forecast or anticipated in the forward-looking statements. These risks, uncertainties and factors include, but are not limited to, those factors set forth in this Annual Report on Form 10-K under the heading "General Risks and Uncertainties".

General

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

We are producing and have commenced a marketing program for the USS-900 and the SCS-700. The USS-900 uses Harris' digital cryptographic chip - the Citadel(TM) CCX - which is capable of providing high-grade information encryption. Harris is supplying the chip under a three year agreement at a negotiated price based in part on sales of USS-900. We have produced a limited number of the USS-900s with the assistance of a U.S. based sub-contractor. Shanghai CopyTele produces the modified Magicom(R) 2000 for the SCS-700 system. During fiscal 1999, Shanghai CopyTele also supplied us with a portion of the electronic components, sub-assemblies and accessories for the USS-900. See "Business - Production".

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

Results of Operations

We sell our USS-900, SCS-700 and Magic Printer products to end-users directly and through a distributor/dealer network. We have had limited sales to our dealers, distributors and other customers to support our operations since our inception, and during fiscal 1999 we recognized revenue on our fiscal 1999 non-refundable sales. We are hopeful, although there is no assurance, that with an increased marketing effort for our existing products and our new products under development, we will procure sufficient sales during fiscal 2000 to emerge from the development stage.

Selling, general and administrative expenses, excluding the loss from Shanghai CopyTele, for the fiscal years ended October 31, 1999, 1998 and 1997 and for the period from November 5, 1982 (inception) through October 31, 1999 were approximately $8,285,000, $7,232,000, $6,378,000 and $53,875,000, respectively. These amounts include research, development and tooling costs of approximately $3,163,000, $3,926,000, $3,642,000 and $31,474,000, respectively, as well as normal operating expenses.

Selling, general and administrative expenses, excluding the loss from Shanghai CopyTele, increased by approximately $1,053,000, to approximately $8,285,000 in fiscal 1999 from approximately $7,232,000 in fiscal 1998. The increase resulted primarily from a reserve for the amount due from Shanghai CopyTele, charges to earnings to bring the valuation of inventory in line with current estimates, for obsolete, spare and scrap parts and other expenses. The increases were offset somewhat by decreases in expenditures for engineering supplies, certain marketing costs, professional fees, and research and development for video and color flat panel displays.

Employee compensation and related costs increased in fiscal 1999 over fiscal 1998 principally as a result of the hiring of three additional sales and marketing employees and one additional paid engineering employee. Payroll taxes and pension costs also increased as a result of the additional compensation costs. An increase in employee stock option exercises during fiscal 1999 also caused increased payroll taxes over fiscal 1998. Other employee benefit programs increased commensurate with the additional employees as well as some rate increases in fiscal 1999. Rents also increased as a result of the leasing of additional storage space. Insurance expense increased in fiscal 1999 as a result of higher level coverage needed and the addition of one policy. A charge to earnings was recorded in fiscal 1999 in order to bring the valuation of inventory in line with current estimates and for obsolete, spare and scrap parts. Due to the uncertainty of realizing the amounts due from Shanghai CopyTele, we reserved all amounts in excess of the amount we owe Shanghai CopyTele. We also incurred a charge to earnings for interest relating to certain prior year tax payments paid in the current year.

Engineering supplies decreased in fiscal 1999 as compared to fiscal 1998 primarily as a result of reduced purchases of components used to develop engineering changes to modify the Magicom(R) 2000 in fiscal 1998. Engineering service costs increased in fiscal 1999 as compared to fiscal 1998 as a result of the USS-900 development effort. Marketing costs for the Magicom(R) 2000 decreased in fiscal 1999 as compared to fiscal 1998 as a result of the elimination of non-recurring costs associated with marketing start-up costs and reduced travel and entertainment and marketing service costs. However, product promotion and trade show expenses increased in fiscal 1999. Professional fees were also lower in fiscal 1999 as compared to fiscal 1998 as a result of lower fees incurred for patent related services while legal fees increased in the current year. Research and development costs for flat panel displays decreased in the aggregate during the comparable years principally as a result of lower costs incurred in connection with the development of our video and color displays. Our non-cash charge to earnings for stock based compensation to consultants mandated by SFAS No. 123 was lower in fiscal 1999 as compared to fiscal 1998.

Our portion of Shanghai CopyTele's loss for the fiscal years ended October 31, 1999, 1998 and 1997 and for the period from April 10, 1995 (Shanghai CopyTele's inception) through October 31, 1999 were approximately $261,000, $377,000, $335,000 and $1,140,000, respectively. The decrease in the loss for fiscal 1999 year from the fiscal 1998 year of approximately $116,000 was primarily the result of cost reductions, production efficiencies and limited production activity with respect to modifying Magicom(R) 2000 for the SCS-700 program. We also recognized a permanent impairment charge on our investment in Shanghai CopyTele due to the uncertainty of Shanghai CopyTele generating sufficient future undiscounted cash flows to cover the carrying amount of our investment. Any additional investments in Shanghai CopyTele will be directly expensed to the statements of operations.

Selling, general and administrative expenses, excluding the loss from Shanghai CopyTele, increased by approximately $854,000, to approximately $7,232,000 during fiscal 1998 from approximately $6,378,000 in fiscal 1997. This increase resulted primarily from increases in expenditures for research and development, employee compensation and related costs, stock based compensation to consultants, and to a lesser extent communication costs, rent, travel and professional fees.

Research and development costs increased principally as a result of costs incurred in connection with the development of our flat panel displays programs. Employee compensation and related costs increased in fiscal 1998 over fiscal 1997 as a result of a full year's cost of the hiring of additional marketing and engineering personnel during the fiscal 1997 year which had only a partial year's costs. To a lesser extent some employee benefit programs incurred a slight increase in rates in fiscal 1998.

In fiscal 1998, we recorded a non-cash charge to earnings for stock based compensation to consultants mandated by SFAS No. 123 with an offset to Additional Paid-In Capital. There was no such charge in fiscal 1997. Communication and travel costs increased, although to a lesser extent than other expenses that increased, as a result of increased activity associated with our distributor and dealer program. Rent increased as a result of leasing additional space in fiscal 1998 and the effect of a full year's rent in fiscal 1998 versus a partial year's rent in fiscal 1997 for other leases. Professional fees were also slightly higher in fiscal 1998 as a result of additional accounting fees associated with Shanghai CopyTele and the proposed transaction with Shanghai Instrumentation and Electronics Holding Group Company ("SIEC").

Engineering supplies remained approximately the same in fiscal 1998 as compared to fiscal 1997 primarily as a result of reduced purchases of panels, chip drivers and Magicom(R) 2000s used for testing and evaluation purposes offset by the cost to implement engineering changes to Magicom(R) 2000 and the related cost to eliminate obsolete components as a result of these changes. A charge to earnings was recorded in order to bring inventory valuation in line with current estimates and to reflect a lower selling price to dealers and distributors. Some marketing costs decreased in fiscal 1998 as a result of non-recurring costs associated with the start-up costs in the prior year.

Our portion of Shanghai CopyTele's loss increased in fiscal 1998 over fiscal 1997 by approximately $42,000 as a result of manufacturing costs being absorbed over a limited quantity of product produced, cost incurred in connection with the implementation of a quality management program, and initial marketing costs.

While there is no formal agreement, our Chairman of the Board and our President have waived salary and related pension benefits for an undetermined period of time commencing November 1985. Four other individuals, including an officer and three senior level personnel, then employed by us, waived salary and related pension benefits from January 1987 through December 1990. While there are no formal agreements, commencing January 1991 these individuals waived such rights for an undetermined period of time and they did not receive salary or related pension benefits through December 1992. Our Chairman of the Board, our President and the three senior level personnel continued to waive such rights commencing in January 1993 for an undetermined period of time. From February 1993 to September 1998 one additional employee also waived such salary and benefit rights. See "Executive Compensation" and Note 8 to our Financial Statements for a more complete discussion regarding salary and related pension benefit waivers.

The decrease in interest income of $317,000 from approximately $473,000 during fiscal 1998 as compared to approximately $156,000 during fiscal 1999 resulted primarily from a decrease in average funds available for investment and a decrease in interest rates. The decrease in interest income during fiscal 1998 as compared to fiscal 1997 of approximately $440,000 resulted from a decrease in average funds available for investment aided slightly by a small increase in interest rates. Funds available for investment during 1999, 1998 and 1997, on a monthly weighted average basis, were approximately $3,511,000, $8,557,000 and $17,394,000, respectively. The investment instruments selected by us are principally money market accounts and treasury investments.

Year 2000 Issue
- ---------------

We are not aware of any Year 2000 problems affecting us. The cost for us to address this issue was immaterial. Our contingency plan remains available to us should we need to implement any part. We will continue to monitor our systems and relationships for any potential Year 2000 problems that we have not yet uncovered.

Liquidity and Capital Resources

Since our inception, we have met our liquidity and capital expenditure needs primarily from the proceeds of sales of our common stock in our initial public offering, in private placements, upon exercise of warrants issued in connection with the private placements and public offering and upon the exercise of stock options pursuant to our Stock Option Plan, adopted by the Board of Directors on April 1, 1987, and our 1993 Stock Option Plan, adopted by the Board of Directors on April 28, 1993, and amended on May 3, 1995 and May 10, 1996.

For the fiscal years ended October 31, 1999, 1998 and 1997, we received proceeds aggregating approximately $1,353,000, $28,000, and $1,754,000, respectively, from the exercise of stock options and warrants to purchase shares of our common stock and the exercise of warrants by members of the immediate families of our Chairman of the Board and our President. During the fiscal year ended October 31, 1999, we received proceeds of $1,500,000 from sales of our common stock in private placements. During the period from November 1, 1999 through January 27, 2000, we received proceeds aggregating approximately $895,000 from the exercise of stock options pursuant to the 1993 Plan and private placements. Working capital decreased by approximately $1,833,000 from approximately $7,560,000 at October 31, 1998 to approximately $5,727,000 at October 31, 1999 as a result of the loss incurred for the year and the purchase of property and equipment offset by the proceeds received during the same period.

Our operations used approximately $6,100,000 in cash during fiscal 1999. As of October 31, 1999, our working capital included approximately $2,076,000 of cash and marketable securities and approximately $955,000 (net of approximately $862,000 due to Shanghai CopyTele) of accounts payable and accrued liabilities. Based on reductions in operating expenses that have been made and additional reductions that may be implemented, if necessary, we believe that our cash resources, including cash received from November 1, 1999 to January 27, 2000, will be sufficient to continue operations until at least the end of fiscal 2000. We anticipate that, thereafter, we will continue to require additional funds to continue our marketing, and research and development activities if cash generated from operations is insufficient to satisfy our liquidity requirements. However, our projections of future cash needs and cash flows may differ from actual results. If current cash and cash that may be generated from operations are insufficient to satisfy our liquidity requirements, we may seek to sell debt or equity securities or to obtain a line of credit. The sale of additional equity securities or convertible debt could result in additional dilution to our stockholders. We can give you no assurance that we will be able to generate adequate funds from operations, that funds will be available to us from debt or equity financings, or that if available, we will be able to obtain such funds on favorable terms and conditions. We currently have no definitive arrangements with respect to additional financing.

We are seeking to improve our liquidity through the sale of products. In an effort to generate sales, we have commenced marketing the USS-900 directly and to U.S. office equipment distributors and dealers. We also have commenced marketing the SCS-700 system utilizing the Magicom(R) 2000, as modified to function as a secure communication system, to government agencies and units of the armed forces. We are hopeful, although we can give you no assurance, that by marketing the USS-900 encryption device and the modified Magicom(R) 2000 SCS-700 system, sufficient sales will be generated to improve our liquidity.

The NASD requires that we maintain a minimum of $4 million of net tangible assets to maintain our Nasdaq National Market listing. If our stock were delisted, the delisting could potentially have an adverse affect on the price of our common stock and could adversely affect the liquidity of the shares held by our stockholders. Our net tangible assets as of October 31, 1999 were approximately $6,300,000. We anticipate that we may require additional funds to maintain the NASD net tangible assets requirement. We can give you no assurance that we will be able to generate adequate funds from operations, that funds will be available to us from equity financings, or that if available, we will be able to obtain such funds on favorable terms and conditions. We currently have no definitive arrangements with respect to additional equity financings.

The NASD also requires that we maintain a minimum 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, the NASD 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. 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. See "Market for the Registrant's Common Equity and Related Stockholder Matters".

Shanghai CopyTele required an initial aggregate capital investment of $3,500,000 from the parties to the joint venture. The Joint Venture Agreement contemplates an additional $3,500,000 of funding which may be borrowed from banks, of which $1,080,000 has been borrowed to date. Short-term loans aggregating the $1,080,000 are from a Chinese bank, secured by the building and a land-use contract with the Land Administration Bureau of Shanghai County, and from one of the Chinese parties. We have contributed $1,225,000 in cash, and technology valued for the purposes of Shanghai CopyTele at $700,000, and the Chinese parties contributed $1,575,000 in cash to Shanghai CopyTele. Shanghai CopyTele may require additional capitalization depending upon the nature and extent of its business activities. We can give you no assurance that adequate funds will be available to Shanghai CopyTele, including any future capital contributions, if any, beyond its initial capital contributions or that, if available, Shanghai CopyTele will be able to obtain such funds on favorable terms and conditions.

We paid $130,600 in cash to Shanghai CopyTele in 1999 of the total amount we owe to them, which enabled Shanghai CopyTele to continue the production of a limited number of modified Magicom(R) 2000 units for the SCS-700 system and panel assemblies. Additionally, we have reacquired from Shanghai CopyTele a portion of our Magicom(R) 2000 inventory of parts for the purpose of minimizing Chinese import duty and value added taxes. The amounts due from Shanghai CopyTele were reduced by the value of the inventory reacquired. We intend to make the parts inventory available to Shanghai CopyTele in the future based on Shanghai CopyTele's production requirements.

We have recorded our inventory at management's current best estimate of its net realizable value, which is based upon the historic and future selling price of our products. To date, sales of our products have been limited. Accordingly, we cannot assure you that we will not have to further reduce the selling prices of our inventory below its current carrying value to accomplish our business strategies.

The amounts due from Shanghai CopyTele are primarily costs related to the purchase by Shanghai CopyTele of components for use in Magicom(R) 2000 units. Due to the uncertainty of realizing the amounts due from Shanghai CopyTele, we have reserved all amounts in excess of the amount we owe Shanghai CopyTele. As of October 31, 1999, we owed Shanghai CopyTele approximately $862,000 which when paid could be used by Shanghai CopyTele to repay us. Sales of units by Shanghai CopyTele to us may result in an increase in our inventory before the units are then sold by us in the ordinary course of our business.

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.

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

Not applicable.

Item 8. Financial Statements and Supplementary Data.

See accompanying "Index to Financial Statements".

Item 9. Disagreements on Accounting and Financial Disclosure.

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant.

<TABLE>
<CAPTION>

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

Name	Position with the Company and Principal Occupation	Age	Director and/or Executive Officer Since
<S>	<C>	<C>	<C>
Denis A. Krusos	Director, Chairman of the Board and Chief Executive Officer	72	1982
Frank J. DiSanto	Director and President	75	1982
Gerald J. Bentivegna	Director, Vice President - Finance and Chief Financial Officer	50	1994
Frank W. Trischetta	Senior Vice President - Marketing and Sales	59	1996
George P. Larounis	Director	71	1997
Lewis H. Titterton	Director	54	1999

</TABLE>

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

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

Mr. Bentivegna has served as our Vice President - Finance and Chief Financial Officer since September 1994 and as one of our Directors since in July 1995. Prior to joining us, Mr. Bentivegna was employed at Marino Industries Corp. for approximately 10 years, where he served as Controller, Treasurer and Chief Financial Officer. He holds a M.B.A. degree from Long Island University and a

B.B.A. from Dowling College.

Mr. Trischetta has served as our Senior Vice President - Marketing and Sales since February 1996. Prior to joining us, Mr. Trischetta was employed by Panasonic Corporation for approximately 15 years where he served as General Manager Marketing and Sales for Panasonic Office Automation Products. Prior to that, Mr. Trischetta was employed by 3-M Company for approximately 17 years where he advanced to a senior sales and marketing executive position. He holds a B.B.A. from the University of Miami.

Mr. Larounis has served as one of our Directors since September 1997 prior to which he served as a consultant to us. Mr. Larounis held numerous positions as a senior international executive of Bendix International and Allied Signal. He has also served on the Board of Directors of numerous affiliates of Allied Signal in Europe, Asia and Australia. He holds a B.E.E. degree from the University of Michigan and a J.D. degree from New York University.

Mr. Titterton has served as one of our Directors since July 1999. Mr. Titterton is currently Chief Executive Officer of NYMED, Inc. His background is in high technology with an emphasis on health care and he has been with NYMED, Inc. since 1989. Mr. Titterton founded MedE America, Inc. in 1986 and was Chief Executive Officer of Management and Planning Services, Inc from 1978 to 1986. He holds a M.B.A. from the State University of New York at Albany, and a B.A. degree from Cornell University.

Item 11. Executive Compensation.

Messrs. Denis A. Krusos, Chairman of the Board, Chief Executive Officer and Director, Frank J. DiSanto, President and Director, Frank W. Trischetta, Senior Vice President - Marketing and Sales, and Gerald J. Bentivegna, Vice President - Finance, Chief Financial Officer and Director, are our executive officers. While there are no formal agreements, Denis A. Krusos and Frank J. DiSanto waived any and all rights to receive salary and related pension benefits for an undetermined period of time commencing November 1, 1985. As a result, Mr. Krusos received no salary or bonus during the last three fiscal years. Except for Mr. Trischetta, no other executive officer received an annual salary and bonus in excess of $100,000 during the fiscal year ended October 31, 1999. The following is compensation information regarding Mr. Krusos and Mr. Trischetta for the fiscal years ended October 31, 1999, 1998 and 1997:

<TABLE>
<CAPTION>

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year Ended	Annual Compensation	Long-Term Compensation Awards Securities Underlying Options (#)
<S>	<C>	<C>	<C>
Denis A. Krusos,	10/31/99	-	50,000
Chairman of the Board,	10/31/98	-	600,000
Chief Executive Officer and Director	10/31/97	-	575,000
Frank W. Trischetta	10/31/99	$153,289	25,000
Senior Vice President -	10/31/98	$153,008	60,000
Marketing and Sales	10/31/97	$152,500	30,000

</TABLE>

The following is information regarding stock options granted to Mr. Krusos and Mr. Trischetta pursuant to the 1993 Stock Option Plan during the fiscal year ended October 31, 1999:

<TABLE>
<CAPTION>

OPTION GRANTS IN LAST FISCAL YEAR

Individual Grants					Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name	Number of Securities Underlying Options Granted (#) (1)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price ($/Share)	Expiration Date	5% ($)	10% ($)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Denis A. Krusos	50,000	2.07%	$1.313 (2)	4/8/09	$41,287	$ 104,629
Frank W. Trischetta	25,000	1.03%	$1.313 (3)	4/8/09	$20,643	$ 52,315

</TABLE>

(1) The options are exercisable in whole or in part commencing one year following the date of grant unless otherwise accelerated. The options are not issued in tandem with stock appreciation or similar rights and are not transferable other than by will or the laws of descent and distribution. The options terminate upon termination of employment, except that in the case of death, disability or termination for reasons other than cause, options may be exercised for certain periods of time thereafter as set forth in the 1993 Stock Option Plan.

(2) The exercise price of these options was equal to the fair market value of the underlying common stock on the date of grant. These options are nonqualified options.

(3) The exercise price of these options was equal to the fair market value of the underlying common stock on the date of grant. These options are intended to qualify as incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

The following is information regarding stock option exercises during fiscal 1999 by Mr. Krusos and Mr. Trischetta and the values of their options as of October 31, 1999:

<TABLE>
<CAPTION>

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

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at Fiscal Year End (#)		Value of Unexercised In-the-Money Options at Fiscal Year End ($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Denis A. Krusos	-	-	2,920,180	50,000	-	-
Frank W. Trischetta	-	-	453,000	25,000	-	-

</TABLE>

There is no present arrangement for cash compensation of directors for services in that capacity. Under the 1993 Stock Option Plan, each non-employee director elected to the Board of Directors is entitled to receive nonqualified stock options to purchase 20,000 shares of common stock upon his initial election to the Board of Directors and nonqualified stock options to purchase 40,000 shares each subsequent year that such director is elected to the Board of Directors.

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

The following table sets forth certain information with respect to our common stock beneficially owned as of January 21, 2000 by (a) each person who is known by us to be the beneficial owner of more than 5% of our outstanding common stock, (b) each of our directors or executive officers and (c) all directors and executive officers as a group:

<TABLE>
<CAPTION>

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)(2)	Percent of Class
<S>	<C>	<C>
Denis A. Krusos 900 Walt Whitman Road Melville, NY 11747	7,096,940	11.13%
Frank J. DiSanto 900 Walt Whitman Road Melville, NY 11747	3,675,710(3)	5.78%
Gerald J. Bentivegna 900 Walt Whitman Road Melville, NY 11747	306,000	.50%
Frank W. Trischetta 900 Walt Whitman Road Melville, NY 11747	578,000	.94%
George P. Larounis 15-17 A. Tsoha St. 11521 Athens, Greece	282,500	.46%

Lewis H. Titterton 6 Autumn Lane Saratoga Springs, NY 12866	1,539,600(4)	2.51%
All Directors and Executive Officers as a Group (6 persons)	13,478,750(3)(4)	19.80%

</TABLE>

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

(2) Includes 2,845,180 shares, 2,675,180 shares, 304,000 shares, 528,000 shares, 282,500 shares, 0 shares and 6,634,860 shares as to which Denis A. Krusos, Frank J. DiSanto, Gerald J. Bentivegna, Frank W. Trischetta, George P. Larounis, Lewis H. Titterton and all directors, and executive officers as a group, respectively, have the right to acquire within 60 days upon exercise of options granted pursuant to the 1993 Plan.

(3) Includes 613,215 shares held by the Frank J. DiSanto Revocable Living Trust. Mr. DiSanto is the trustee and has sole voting and investment power over the trust. Includes 250,000 shares which are pledged to a bank under a commercial loan.

(4) Includes 500,000 shares which Lewis H. Titterton has the right to acquire upon the exercise of warrants.

Item 13. Certain Relationships and Related Transactions.

On April 30, 1999, Lewis H. Titterton, who became a director in July 1999, purchased 300,000 shares of our common stock at a purchase price of $1.50 per share (the market price on the date of the agreement), or an aggregate purchase price of $450,000, pursuant to a Stock Subscription Agreement, dated as of April 27, 1999, between CopyTele and Mr. Titterton. Pursuant to the Stock Subscription Agreement, Mr. Titterton also was issued a Warrant to purchase 300,000 shares of our common stock at a purchase price of $1.50 per share. The Warrant expires on April 30, 2001.

On September 8, 1999, Lewis H. Titterton purchased 200,000 shares of our common stock at a purchase price of $1.00 per share (the market price on the date of the agreement), or an aggregate purchase price of $200,000, pursuant to a Stock Subscription Agreement, dated as of August 30, 1999, between CopyTele and Mr. Titterton. Pursuant to the Stock Subscription Agreement, Mr. Titterton also was issued a Warrant to purchase 200,000 shares of our common stock at a purchase price of $1.00 per share. The Warrant expires on September 8, 2001.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

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

See accompanying "Index to Financial Statements".

(a)(3) Executive Compensation Plans and Arrangements

Stock Option Plan (1987) (filed as Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 1987).

Amendment to Stock Option Plan (1987) (filed as Exhibit 10.69 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1990).

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

Amendment to CopyTele, Inc. 1993 Stock Option Plan (filed as Exhibit 4(d) to the Company's Form S-8 dated September 6, 1995).

Amendment to CopyTele, Inc. 1993 Stock Option Plan (filed as Exhibit 10.32 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 1996).

(b) Reports on Form 8-K

No current report on Form 8-K was filed for the Company during the fourth quarter of its fiscal year ended October 31, 1999.

(c) Exhibits

(a) 3.1 Certificate of Incorporation, as amended.

(b) 3.2 By-laws, as amended and restated.

3.3 Amendment to By-laws.

(c) 10.1 Stock Option Plan, adopted on April 1, 1987 and approved by shareholders on May 27, 1987.

(d) 10.2 Amendment to 1987 Stock Option Plan, adopted on March 12, 1990 and approved by shareholders on May 24, 1990.

(e) 10.3 CopyTele, Inc. 1993 Stock Option Plan, adopted on April 28, 1993 and approved by shareholders on July 14, 1993.

(f) 10.4 Joint Venture Contract, dated as of March 28, 1995, by and between Shanghai Electronic Components Corp. and CopyTele, Inc.

(f) 10.5 Technology License Agreement, dated as of March 28, 1995, by and between Shanghai CopyTele Electronics Co., Ltd. and CopyTele, Inc.

(g) 10.6 Amendment No. 1 to the CopyTele, Inc. 1993 Stock Option Plan, adopted on May 3, 1995 and approved by shareholders on July 19, 1995.

(h) 10.7 Assignment Agreement, dated as of July 10, 1995, by and among Shanghai Electronic Components Corp., Shanghai International Trade and Investment Developing Corp. and CopyTele, Inc.

(i) 10.8 Amendment No. 2 to the CopyTele, Inc. 1993 Stock Option Plan, adopted on May 10, 1996 and approved by shareholders on July 24, 1996.

(j) 10.9 Contract Granting Land-Use Rights, dated October 11, 1995, between the Land Administration Bureau Songjiang County and Shanghai CopyTele Electronics Co., Ltd.

(k)10.10 Agreement dated March 3, 1999 between Harris Corporation and CopyTele, Inc.

(l) 10.11 Stock Subscription Agreement Dated April 27, 1999, including form of Warrant, between CopyTele, Inc. and Lewis H. Titterton

(m) 10.12 Agreement dated July 28,1999, between CopyTele, Inc. and Harris Corporation, RF Communications

(n) 10.13 Stock Subscription Agreement Dated August 30, 1999, including form of Warrant, between CopyTele, Inc. and Lewis H. Titterton

(n) 21 List of Significant Subsidiaries.

(n) 23.1 Consent of Arthur Andersen LLP.

(n) 27 Financial Data Schedule.

(n) 99.1 Financial Statements of Shanghai CopyTele Electronics Co., Ltd.

(a) Incorporated by reference to Form 10-Q for the fiscal quarter ended July 31, 1992 and to Form 10-Q for the fiscal quarter ended July 31, 1997.

(b) Incorporated by reference to Post-Effective Amendment No. 1 to Form S-8 (Registration No. 33-49402) dated December 8, 1993.

(c) Incorporated by reference to Form 10-Q for the fiscal quarter ended April 30, 1987.

(d) Incorporated by reference to Form 10-K for the fiscal year ended October 31,1990.

(e) Incorporated by reference to Proxy Statement dated June 10, 1993.

(f) Incorporated by reference to Form 8-K dated March 28, 1995.

(g) Incorporated by reference to Form S-8 (Registration No. 33-62381) dated September 6, 1995.

(h) Incorporated by reference to Form 10-K for the fiscal year ended October 31, 1995.

(i) Incorporated by reference to Form 10-Q for the fiscal quarter ended April 30, 1996.

(j) Incorporated by reference to Form 10-Q for the fiscal quarter ended January 31, 1997.

(k) Incorporated by reference to Form 10-Q for the fiscal quarter ended January 31, 1999.

(l) Incorporated by reference to Form 10-Q for the fiscal quarter ended April 30, 1999.

(m) Incorporated by reference to Form 8-K dated July 28, 1999

(n) Filed herewith.

SIGNATURES

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

COPYTELE, INC.

By:/s/ Denis A. Krusos

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

January 28, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

January 28, 2000	/s/ Denis A. Krusos Denis A. Krusos Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)
January 28, 2000	/s/ Frank J. DiSanto Frank J. DiSanto President and Director
January 28, 2000	/s/ Gerald J. Bentivegna Gerald J. Bentivegna Vice President - Finance, Chief Financial Officer and Director (Principal Financial and Accounting Officer)
January 28, 2000	/s/ Lewis H. Titterton Lewis H. Titterton Director
January 28, 2000	/s/ George P. Larounis George P. Larounis Director

EXHIBIT INDEX

Ref.	Exhibit Number	Description
(a)	3.1	Certificate of Incorporation, as amended.
(b)	3.2	By-laws, as amended and restated.
	3.3	Amendment to By-Laws.
(c)	10.1	Stock Option Plan, adopted on April 1, 1987 and approved by shareholders on May 27, 1987.
(d)	10.2	Amendment to Stock Option Plan, adopted on March 12, 1990 and approved by shareholders on May 24, 1990.
(e)	10.3	CopyTele, Inc. 1993 Stock Option Plan, adopted on April 28, 1993 and approved by shareholders on July 14, 1993.
(f)	10.4	Joint Venture Contract, dated as of March 28, 1995, by and between Shanghai Electronic Components Corp. and CopyTele, Inc.
(f)	10.5	Technology License Agreement, dated as of March 28, 1995, by and between Shanghai CopyTele Electronics Co., Ltd. and CopyTele, Inc.
(g)	10.6	Amendment No. 1 to the CopyTele, Inc. 1993 Stock Option Plan, adopted on May 3, 1995 and approved by shareholders on July 19, 1995.
(h)	10.7	Assignment Agreement, dated as of July 10, 1995, by and among Shanghai Electronic Components Corp., Shanghai International Trade and Investment Developing Corp. and CopyTele, Inc.

(i)	10.8	Amendment No. 2 to the CopyTele, Inc. 1993 Stock

		Option Plan, adopted on May 10, 1996 and approved by shareholders on July 24, 1996.
(j)	10.9	Contract Granting Land-Use Rights, dated October 11, 1995, between the Land Administration Bureau Songjiang County and Shanghai CopyTele Electronics Co., Ltd.
(k)	10.10	Agreement dated March 3, 1999 between Harris Corporation and CopyTele, Inc.
(l)	10.11	Stock Subscription Agreement Dated April 27, 1999 including form of Warrant, between CopyTele, Inc. and Lewis H. Titterton.
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(n)	21	List of Significant Subsidiaries.
(n)	23.1	Consent of Arthur Andersen LLP.
(n)	27	Financial Data Schedule.
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(a) Incorporated by reference to Form 10-Q for the fiscal quarter ended July 31, 1992 and the fiscal quarter ended July 31, 1997.
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(k) Incorporated by reference to Form 10-Q for the fiscal quarter ended January 31, 1999.
(l) Incorporated by reference to Form 10-Q for the fiscal quarter ended April 30, 1999.
(m) Incorporated by reference to Form 8-K dated July 28, 1999
(n) Filed herewith.

COPYTELE, INC.

(Development Stage Enterprise)

INDEX TO FINANCIAL STATEMENTS

OCTOBER 31, 1999

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Statements of Operations for each of the three fiscal years in the period ended October 31, 1999 and for the period from inception (November 5, 1982) to October 31, 1999	F-3
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Information required by schedules called for under Regulation S-X is either not applicable or is included in the financial statements or notes thereto.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To CopyTele, Inc.:

We have audited the accompanying balance sheets of CopyTele, Inc. (a Delaware corporation in the development stage - Note 1) as of October 31, 1999 and 1998, and the related statements of operations and cash flows for the each of the three fiscal years in the period ended October 31, 1999 and for the period from inception (November 5, 1982) to October 31, 1999, and the statements of shareholder's equity for the period from inception (November 5, 1982) to October 31, 1983 and for each of the sixteen fiscal years in the period ended October 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CopyTele, Inc. as of October 31, 1999 and 1998, and the results of their operations and its cash flows for each of the three fiscal years in the period ended October 31, 1999 and for the period from inception to October 31, 1999 in conformity with generally accepted accounting principles.

/s/ARTHUR ANDERSEN LLP

Melville, New York
January 27, 2000

<TABLE>
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COPYTELE, INC.

(Development Stage Enterprise)

BALANCE SHEETS

ASSETS	October 31, 1999	October 31, 1998
<S>	<C>	<C>
CURRENT ASSETS:		
Cash (including cash equivalents and interest bearing accounts of $1,531,254 and $5,363,522, respectively)	$ 1,587,830	$ 5,406,017
Marketable securities	488,038	-
Inventory	4,538,608	2,719,215
Prepaid expenses and other current assets (including amounts due from Joint Venture of approximately $862,000 and $825,000, respectively)	929,099	908,639
Total current assets	7,543,575	9,033,871
PROPERTY AND EQUIPMENT (net of accumulated depreciation and amortization of $1,627,012 and $1,351,778, respectively)	531,155	766,106
INVESTMENT IN JOINT VENTURE (Notes 1 and 3)	-	345,947
AMOUNTS DUE FROM JOINT VENTURE, net (Note 1)	-	3,091,628
OTHER ASSETS	26,814	97,420
DEFERRED TAX BENEFITS (net of valuation allowance of $33,026,000 and $30,910,000, respectively)	-	-
	$ 8,101,544	$ 13,334,972

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable (including amounts due to Joint Venture of approximately $862,000 and $662,000, respectively)	$ 1,546,494	$ 1,392,321
Accrued liabilities	270,273	81,738
Total current liabilities	1,816,767	1,474,059
COMMITMENTS AND CONTINGENCIES (Note 5)		
SHAREHOLDERS' EQUITY:		
Preferred stock, par value $100 per share; authorized 500,000 shares; no shares outstanding	-	-

Common stock, par value $.01 per share; authorized 240,000,000 shares; issued and outstanding 60,057,376 and 57,871,176 shares, respectively	600,574	578,712
Additional paid-in capital	55,844,128	52,977,110
Deficit accumulated during the development stage	(50,159,925)	(41,694,909)
	6,284,777	11,860,913
	$ 8,101,544	$ 13,334,972

The accompanying notes are an integral part of these balance sheets.
</TABLE>

COPYTELE, INC.

(Development Stage Enterprise)

STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	For the Fiscal Year Ended October 31, 1999	1998	1997	For the Period from Inception (November 5, 1982) to October 31, 1999
<S>	<C>	<C>	<C>	<C>
SALES	$ 46,877	$ -	$ -	$ 46,877
COST OF SALES	37,304	-	-	37,304
Gross profit	9,573	-	-	9,573
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (including research and development expenses of approximately $3,163,000, $3,926,000, $3,642,000 and $31,474,000, respectively)	8,284,717	7,231,557	6,378,368	53,874,851
LOSS FROM AND IMPAIRMENT OF INVESTMENT IN JOINT VENTURE (Notes 1 and 3)	345,947	377,219	335,391	1,225,000
INTEREST INCOME	156,075	472,822	913,184	4,930,353
NET (LOSS)	$ (8,465,016)	$ (7,135,954)	$ (5,800,575)	$ (50,159,925)
NET (LOSS) PER SHARE OF COMMON STOCK: Basic and Diluted	$ (.14)	$ (.12)	$ (.10)	$ (1.06)
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING: Basic and Diluted	58,792,745	57,865,834	57,667,787	47,362,777

</TABLE>

The accompanying notes are an integral part of these statements.

<TABLE>
<CAPTION>

COPYTELE, INC.

(Development Stage Enterprise)

STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM INCEPTION (NOVEMBER 5, 1982) TO OCTOBER 31, 1983

AND FOR EACH OF THE SIXTEEN FISCAL YEARS IN THE PERIOD ENDED OCTOBER 31, 1999

	Common Stock Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit During the Development Stage
<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	-	-	(350,376)	-
Net (loss) for the period	-	-	-	(976,919)
BALANCE, October 31, 1983	2,800,000	28,000	6,385,384	(976,919)
Additional costs incurred in conjunction with public offering	-	-	(11,654)	-
Net (loss) for the period	-	-	-	(1,542,384)
BALANCE, October 31, 1984	2,800,000	28,000	6,373,730	(2,519,303)
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	-	-	362,365	-
Three-for-one stock split (A)	5,714,400	57,144	(57,144)	-
Net (loss) for the period	-	-	-	(1,745,389)
BALANCE, October 31, 1985	8,571,600	85,716	7,309,796	(4,264,692)
Common stock issued, at $4 per share, upon exercise of 2,800 warrants in December 1985	8,400	84	33,516	-
Additional costs incurred by the Company in conjunction with sales of common stock by individuals from January 29, 1985 to October 4, 1985 under agreements with the Company	-	-	(62,146)	-
Net (loss) for the period	-	-	-	(1,806,696)
BALANCE, October 31, 1986	8,580,000	85,800	7,281,166	(6,071,388)

</TABLE>

Continued

<TABLE>
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COPYTELE, INC.

(Development Stage Enterprise)

STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM INCEPTION (NOVEMBER 5, 1982) TO OCTOBER 31, 1983

AND FOR EACH OF THE SIXTEEN FISCAL YEARS IN THE PERIOD ENDED OCTOBER 31, 1999

Continued

	Common Stock		Additional	Accumulated Deficit
	Shares	Par Value	Paid-in Capital	During the Development Stage
<S>	<C>	<C>	<C>	<C>
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	-
Additional costs incurred by the Company in conjunction with sales of common stock by individuals from January 29, 1985 to October 4, 1985 under agreements with the Company	-	-	(1,474)	-
Five-for-four stock split (A)	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 on September 10, 1987 and to officers on October 29, 1987	64,740	647	309,601	-
Net (loss) for the period	-	-	-	(1,401,736)
BALANCE, October 31, 1987	10,873,825	108,738	8,428,057	(7,473,124)
Sale of common stock, at market, to members of officers' immediate families from November 24, 1987 to June 29, 1988 and additional contributions by officers in January 1988 and March 1988 related to adjustments to sales price of common stock on October 29, 1987	260,210	2,602	2,250,594	-
Net (loss) for the period	-	-	-	(1,317,305)

BALANCE, October 31, 1988	11,134,035	111,340	10,678,651	(8,790,429)
Sale of common stock, at market, to an officer on February 26, 1989 and to members of officers' immediate families from February 26, 1989 (amended on March 10, 1989) to September 27, 1989	142,725	1,427	2,093,851	-
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	-
Net (loss) for the period	-	-	-	(1,101,515)
BALANCE, October 31, 1989	11,342,430	113,424	13,871,818	(9,891,944)
Sale of common stock, at market, to members of officers' immediate families from November 14, 1989 to October 15, 1990	117,825	1,179	1,140,725	-
Net (loss) for the period	-	-	-	(1,111,413)
BALANCE, October 31, 1990	11,460,255	114,603	15,012,543	(11,003,357)

Continued

</TABLE>

<TABLE>
<CAPTION>

COPYTELE, INC.

(Development Stage Enterprise)

STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM INCEPTION (NOVEMBER 5, 1982) TO OCTOBER 31, 1983

AND FOR EACH OF THE SIXTEEN FISCAL YEARS IN THE PERIOD ENDED OCTOBER 31, 1999

Continued

	Common Stock		Additional	Accumulated Deficit
	Shares	Par Value	Paid-in Capital	During the Development Stage
<S>	<C>	<C>	<C>	<C>
Sale of common stock, at market, to members of officers' immediate families on December 4, 1990	42,540	425	329,260	-
Two-for-one stock split (A)	11,502,795	115,028	(115,028)	-
Sale of common stock, at market, to members of officers' immediate families from April 26, 1991 to September 16, 1991	102,543	1,025	1,033,981	-
Net (loss) for the period	-	-	-	(1,299,992)
BALANCE, October 31, 1991	23,108,133	231,081	16,260,756	(12,303,349)
Sale of common stock, at market, to members of officers' immediate families from December 16, 1991 to October 27, 1992	158,910	1,589	1,754,330	-
Costs incurred in conjunction with registration of stock option plan	-	-	(33,251)	-
Net (loss) for the period	-	-	-	(1,827,356)
BALANCE, October 31, 1992	23,267,043	232,670	17,981,835	(14,130,705)
Common stock issued upon exercise of stock options from December 16, 1992 to October 22, 1993 under stock option Plan	1,032,940	10,330	5,914,480	-
Common stock issued upon exercise of warrants by members of officers' immediate families in September 1993	239,000	2,390	996,774	-
Net (loss) for the period	-	-	-	(2,762,849)
BALANCE, October 31, 1993	24,538,983	245,390	24,893,089	(16,893,554)
Costs incurred in connection with registration of stock option plan	-	-	(50,324)	-
Common stock issued upon exercise of stock options from December 22, 1993 to June 14, 1994 under stock option plan	233,200	2,332	1,273,411	-
Common stock issued upon exercise of warrants by members of officers' immediate families in July 1994	65,220	652	371,754	-
Net (loss) for the period	-	-	-	(3,427,517)
BALANCE, October 31, 1994	24,837,403	248,374	26,487,930	(20,321,071)

Continued

</TABLE>

<TABLE>
<CAPTION>

COPYTELE, INC.

(Development Stage Enterprise)

STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM INCEPTION (NOVEMBER 5, 1982) TO OCTOBER 31, 1983

AND FOR EACH OF THE SIXTEEN FISCAL YEARS IN THE PERIOD ENDED OCTOBER 31, 1999

Continued

<S>	Common Stock Shares <C>	Common Stock Par Value <C>	Additional Paid-in Capital <C>	Accumulated Deficit During the Development Stage <C>
Costs incurred in connection with registration of stock option plan	-	-	(29,759)	-
Common stock issued upon exercise of stock options from February 17, 1995 to October 30, 1995 under stock option plans	980,400	9,804	5,278,824	-
Common stock issued upon exercise of warrants by members of officers' immediate families in February, July and September 1995	137,300	1,373	755,132	-
Net (loss) for the period	-	-	-	(2,993,899)
BALANCE, October 31, 1995	25,955,103	259,551	32,492,127	(23,314,970)
Common stock issued upon exercise of stock options from November 2, 1995 to June 12, 1996 under stock option plans	2,288,800	22,888	15,843,842	-
Common stock issued upon exercise of warrants by members of officers' immediate families in January and March, 1996	138,280	1,383	527,802	-
Two-for-one stock split (A)	28,382,183	283,822	(283,822)	-
Common stock issued upon exercise of stock options from July 8, 1996 to October 30, 1996 under stock option plans	532,500	5,325	1,795,395	-
Common stock issued upon exercise of warrants by members of officers' immediate families in July and October, 1996	107,790	1,078	559,262	-
Net (loss) for the period	-	-	-	(5,443,410)
BALANCE, October 31, 1996	57,404,656	574,047	50,934,606	(28,758,380)
Costs incurred in conjunction with registration of stock option plan	-	-	(11,705)	-
Common stock issued upon exercise of stock options from November 25, 1996 to October 6, 1997 under stock option plans	342,700	3,427	1,258,829	-
Common stock issued upon exercise of warrants by members of officers' immediate families in March 1997	98,820	988	502,905	-
Common stock issued upon purchase of equipment	15,000	150	74,850	-
Net (loss) for the period	-	-	-	(5,800,575)
BALANCE, October 31, 1997	57,861,176	578,612	52,759,485	(34,558,955)

Continued

</TABLE>

COPYTELE, INC.

(Development Stage Enterprise)

STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM INCEPTION (NOVEMBER 5, 1982) TO OCTOBER 31, 1983

AND FOR EACH OF THE SIXTEEN FISCAL YEARS IN THE PERIOD ENDED OCTOBER 31, 1999

Continued

<TABLE>
<CAPTION>

	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Accumulated Deficit During the Development Stage

<S>	<C>	<C>	<C>	<C>
Stock option compensation to consultants	-	-	189,600	-
Common stock issued upon exercise of stock options in May 1998	10,000	100	28,025	-
Net (loss) for the period	-	-	-	(7,135,954)
BALANCE, October 31, 1998	57,871,176	578,712	52,977,110	(41,694,909)
Stock option compensation to consultants	-	-	61,650	-
Common stock issued upon exercise of stock options between January 15, 1999 and August 3, 1999	886,200	8,862	1,343,868	-
Common stock issued in private placements on April 30, 1999 and September 8, 1999, net of expenses	1,300,000	13,000	1,461,500	-
Net (loss) for the period	-	-	-	(8,465,016)
BALANCE, October 31, 1999	60,057,376	$ 600,574	$ 55,844,128	$ (50,159,925)

</TABLE>

(A) Reflects cumulative effect on all share data prior to splits described in Note 4.

The accompanying notes are an integral part of these statements.

<TABLE>
<CAPTION>

COPYTELE, INC.

(Development Stage Enterprise)

STATEMENTS OF CASH FLOWS

	For the Fiscal Year Ended October 31, 1999	1998	1997	For the Period from Inception (November 5,1982) to October 31, 1999
<S>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Payments to suppliers, employees and consultants	$ (6,314,512)	$ (8,249,844)	$ (11,089,765)	$ (55,761,854)
Cash received from customers	46,877	-	-	46,877
Interest received	150,539	513,633	917,696	4,920,835
Net cash (used in) operating activities	(6,117,096)	(7,736,211)	(10,172,069)	(50,794,142)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Payments for purchases of property and equipment	(40,283)	(185,876)	(448,288)	(2,023,442)
Disbursements to acquire certificates of deposit and marketable securities	(488,038)	-	(970,808)	(13,534,037)
Proceeds from maturities of investments	-	970,808	-	13,045,999
Investment made in Joint Venture	-	-	-	(1,225,000)
Net cash (used in) provided by investing activities	(528,321)	784,932	(1,419,096)	(3,736,480)
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	1,352,730	28,125	1,754,444	37,061,213
Proceeds from sale of common stock in private placements	1,474,500	-	-	1,474,500
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	2,827,230	28,125	1,754,444	56,118,452
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,818,187)	(6,923,154)	(9,836,721)	1,587,830
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,406,017	12,329,171	22,165,892	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,587,830	$ 5,406,017	$ 12,329,171	$ 1,587,830
RECONCILIATION OF NET (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES:				
Net (loss)	$ (8,465,016)	$ (7,135,954)	$ (5,800,575)	$ (50,159,925)
Stock option compensation to consultants	61,650	189,600	-	251,250
Loss from Joint Venture	260,775	377,219	335,391	1,139,828

Depreciation and amortization	275,234	288,829	257,315	1,642,670
Impairment of investment in Joint Venture	85,172	-	-	85,172
Impairment of amount due from Joint Venture	1,407,461	-	-	1,407,461
Amortization of discount on marketable securities	-	26,365	(26,365)	-
Increase in inventory	(1,819,393)	(2,587,717)	(131,498)	(4,538,608)
(Increase) decrease in prepaid expenses and other current assets	(20,460)	3,831,751	(4,312,667)	(929,099)
Decrease (increase) in long-term amount due from joint venture	1,684,167	(3,091,628)	-	(1,407,461)
(Increase) decrease in other assets	70,606	21,746	108,476	(26,814)
Increase (decrease) in accounts payable and accrued liabilities	342,708	343,578	(602,146)	1,741,384
Net cash (used in) operating activities	$ (6,117,096)	$ (7,736,211)	$ (10,172,069)	$ (50,794,142)

</TABLE>

The accompanying notes are an integral part of these statements.

COPYTELE, INC.

(Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 1999

(1) Nature of business and funding:

Organization

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 and telecommunications products under the Cryptele(TM) brand name. The first encryption products the Company has produced under the Cryptele(TM) brand name product line are the USS-900 (Universal Secure System) and the SCS-700 (Secure Communication System). The USS-900 is a hardware-based peripheral digital encryption system which incorporates a private label digital cryptographic chip to provide high-grade information encryption. The SCS-700 combines the USS-900 with a modified version of the Magicom(R) 2000, the Company's first developed product, to provide a secure telephone-based multi-functional telecommunications system incorporating the Company's E-Paper(TM) Flat Panel Display technology. The Company is also continuing its research and development activities for additional encryption products and flat panel display technologies in addition to its ultra-high resolution charged particle E-Paper(TM) flat panel display.

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

Funding and Management's Plans

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 2000 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 $6,117,000 in cash during fiscal 1999. As of October 31, 1999, working capital included approximately $2,076,000 of cash and marketable securities and approximately $955,000 (net of approximately $862,000 due to SCE) of accounts payable and accrued liabilities. The Company believes that these resources and other sources of cash flows will be sufficient to enable it to continue in operation until at least the end of fiscal 2000, after giving effect to certain reductions in operating expenses, as necessary. As of January 27, 2000, the Company had approximately $2,000,000 in cash and marketable securities. This balance reflects, in part, the proceeds from both the exercise of stock options and private placement stock sales, and non-refundable sales of products.

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. There can be no assurance that any of these plans will materialize at terms that will be favorable to the Company.

The Company has had limited sales to dealers, distributors and end-users since its inception, and during fiscal 1999 has recognized revenue of approximately $47,000 on fiscal 1999 sales. Despite the foregoing, there can be no assurance that the Company will generate significant revenues in the future (through sales or otherwise), that the Company will have sufficient revenues to generate a profit, or that other products will not be produced by other companies that will render the products of the Company obsolete.

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 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 (Note 8).

Realizability of Assets

During the fiscal year ended October 31, 1999, the Company increased its inventory to approximately $4,539,000 to prepare for the distribution of its products. Management has recorded the Company's inventory at its current best estimate of net realizable value, which is based upon the historic and future selling prices of the Company's Magicom(R) 2000 units as packaged in the SCS-700, and the USS-900. To date, sales of the Company's product have been limited. Accordingly, there can be no assurance that the Company will not be required to further reduce the selling price of its inventory below its current carrying value in order to accomplish the Company's business strategies.

Inaddition, the Company's advances to SCE have funded the purchase of inventory components to manufacture the Magicom(R) 2000. Due to the uncertainty of realizing the amounts due from SCE, the Company has reserved for approximately $1,407,000 of this amount, which is shown net in the accompanying financial statements.

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

Product Development

The Company has received 204 patents, including those from the United States and certain foreign patent offices, expiring at various dates between 2005 and 2017. At the present time, additional patent applications are pending with the United States and certain foreign patent offices. The foregoing patents are related to the design, structure and methods of construction of the E-PaperTM Flat Panel Display, methods of operating the E-PaperTM Flat Panel Display, particle generation, applications using the E-PaperTM Flat Panel Display, and new applications for its encryption products. The Company also has filed or is planning to file patent applications for its solid state, optical and thin film video color flat panel display technologies currently under development, for its coated particles, its USS-900 technology and for its simplified E-Paper(TM) Flat Panel Display. There can be no assurance that patents will be obtained for any of the pending applications; however, the Company has been advised by its patent counsel that in their opinion the subject matter of the pending applications contains patentable material. In addition, there can be no assurance that any patents held or obtained will protect the Company against competitors either with or without litigation. The Company is not aware that any of its products are infringing upon the patents of others. There can be no assurance, however, that other products developed by the Company, if any, will not infringe upon the patents of others, or that the Company and SCE will not have to obtain licenses under the patents of others. The Company believes that the foregoing patents are significant to the future operations of the Company.

During 1995, the Company signed a joint venture contract (the "Joint Venture Contract") to form a joint venture in Shanghai, China with a 20-year duration. With this agreement, SCE was formed with the Company owning a 55% share in capital, profits and losses. The remaining 45% is owned by two Chinese companies. Reference is made to Note 3 for a further discussion regarding SCE. Pursuant to a certain Technology License Agreement entered into on the same date as the Joint Venture Contract, the Company has licensed its flat panel application technology to SCE for exclusive use in China. The Company is solely authorized to market Joint Venture products outside of China. Additional capitalization, if necessary, may be financed through a combination of third party borrowings and equity investments contributed by the Company and its Joint Venture partners in proportion to their respective equity interests and on terms to be agreed upon.

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 the USS-900, long-term product performance and the capability of the Company's dealers and distributors to adequately service the Company's products, the ability of the Company to maintain an acceptable pricing level to its customers for its products, the ability of suppliers to meet the Company's requirements and schedule, the Company's ability to obtain adequate supplies of substrates for the SCS-700, the Company's ability to successfully develop its new products under development, rapidly changing consumer preference, and the possible development of competitive products that could render the Company's products obsolete or unmarketable.

(2) Summary of significant accounting policies:

Revenue recognition-

The Company recognizes revenue upon final customer acceptance of its delivered product. At the present time, the Company defines final customer acceptance based upon the non-refundable payment of its product sales.

Cash equivalents-

Cash equivalents consist of investments that are readily convertible into cash and have original maturities of three months or less.

Marketable securities-

The Company accounts for investments in marketable securities in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Under SFAS No. 115, the Company is required to classify each investment in marketable securities in one of three categories: trading, available-for-sale, or held-to-maturity. The Company's investments at October 31, 1999, were classified as held-to-maturity as the Company has the ability and intent to hold these securities until they mature. As such, in accordance with SFAS No. 115, these investments are presented in the accompanying balance sheet at cost as of October 31, 1999. Accrued interest income related to these investments are included in earnings for the year ended October 31, 1999. As of October 31, 1998, the Company held no marketable securities.

Inventories-

Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or market, which represents the Company's best estimate of market value.

Property and equipment-

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

Research and development costs-

Research and development costs incurred by the Company are included in selling, general and administrative expenses in the year incurred.

Income taxes-

The Company recognizes deferred tax assets and liabilities for the estimated future tax effects of events that have been recognized in the Company's financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

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 years presented is the same as Basic EPS, as the inclusion of the impact of common stock equivalents then outstanding would be anti-dilutive.

Recent accounting pronouncements-

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS No. 133 is effective for all fiscal years beginning after June 15, 1999 (subsequently amended by SFAS No. 137, to be effective for all fiscal years beginning after June 15, 2000) and will not require retroactive restatement of prior period financial statements. This statement requires the recognition of all derivative instruments as either assets or liabilities in the balance sheet, measured at fair value. Derivative instruments will be recognized as gains or losses in the period of change. If certain conditions are met where the derivative instrument has been designated as a fair value hedge, the hedge items may also be marked to market through earnings, thus creating an offset. If the derivative is designed and qualifies as a cash flow hedge, the changes in fair value of the derivative instrument may be recorded in comprehensive income. The Company does not expect the adoption of SFAS No. 133 to have a material impact on its financial position or results of operations as the Company does not presently make use of derivative instruments.

Use of estimates-

The preparation of financial statements in conformity with generally accepted accounting principles 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 the current year presentation.

(3) Investment in Joint Venture:

Due to the uncertainty of realizability of its investment, the Company has recognized in fiscal 1999 a permanent impairment charge of approximately $85,000 against the carrying value of this investment. Any additional investments in SCE by the Company will be directly expensed to the statement of operations.

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

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

<TABLE>
<CAPTION>

Condensed financial information for SCE as of October 31, 1999 and 1998 and for the three years ended October 31, 1999, is as follows:

Condensed Balance Sheets	1999	1998
<S>	<C>	<C>
Cash	$ 17,793	$ 51,760
Due from CopyTele, Inc.	861,611	661,592
Inventories	1,574,315	3,568,202
Other current assets	5,812	68,581
Land occupancy rights, net of amortization; fixed assets, net of depreciation, and other non-current assets	1,928,121	2,105,583
Total Assets	$ 4,387,652	$ 6,455,718
Short-term loans	$ 1,080,268	$ 999,316
Accounts payable and accrued liabilities	310,726	338,052
Due to CopyTele, Inc.	2,269,072	3,916,628
Capital	727,586	1,201,722
Total Liabilities and Capital	$ 4,387,652	$ 6,455,718

Condensed Statements of Operations	1999	1998	1997
Net Sales	$ -	$ -	$ -
Operating (Loss)	(399,781)	(629,578)	(599,299)
Other (Expense)	(74,355)	(56,275)	(10,503)
Net (Loss)	$ (474,136)	$ (685,853)	$ (609,802)

</TABLE>

The short-term loans from a Chinese bank bear interest at floating rates of approximately 5.86% to 7.13% per annum at October 31, 1999. These loans will mature in February 2000 and April 2000 and are secured by a land-use contract and building owned by SCE. An additional short-term loan of approximately $120,000 was obtained in November 1998, bearing a floating interest rate of approximately 5.86% and maturing in May 2000, of which approximately $80,000 remains outstanding as of October 31, 1999.

The cumulative net loss incurred by SCE since its inception (April 10, 1995) is $(2,072,414).

(4) Shareholders' Equity:

Sales of common stock and issuance of warrants-

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

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

As of October 31, 1999, all of the warrants to purchase shares of common stock issued and outstanding were exercisable. At October 31, 1998, there were no outstanding warrants.

Stock splits-

On October 4, 1985, the Company declared a three-for-one stock split, effected in the form of a 200% stock dividend, payable on November 8, 1985 to shareholders of record as of October 15, 1985.

On August 13, 1987, the Company declared a five-for-four stock split, effected in the form of a 25% stock dividend, payable on September 15, 1987 to shareholders of record as of August 31, 1987.

On February 12, 1991, the Company declared a two-for-one stock split, effected in the form of a 100% stock dividend, payable on March 18, 1991 to shareholders of record as of February 25, 1991.

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 these stock splits.

Preferred stock-

On May 29, 1986, the Company's shareholders authorized 500,000 shares of preferred stock with a par value of $100 per share. The shares of preferred stock may be issued in series at the direction of the Board of Directors, and the relative rights, preferences and limitations of such shares will all be determined by the Board of Directors.

Stock option plans-

The Company has two stock option plans: the 1987 Stock Option Plan (the "1987 Plan"), adopted by the Board of Directors on April 1, 1987, and the CopyTele, Inc. 1993 Stock Option Plan (the "1993 Plan"), adopted by the Board of Directors on April 28, 1993.

SFAS No. 123, "Accounting for Stock Based Compensation," encourages, but does not require companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to continue to account for stock-based employee compensation using the intrinsic value method prescribed in Accounting Principles Board ("APB")Opinion No. 25, "Accounting for Stock Issued to Employees." 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.

Had compensation cost for these plans been determined at fair value, consistent with SFAS No. 123, the Company's net loss and net loss per share would have increased to the following pro forma amounts:
<TABLE>
<CAPTION>

		For the Year Ended October 31, 1999	For the Year Ended October 31, 1998	For the Year Ended October 31, 1997
<S>		<C>	<C>	<C>
Basic and Diluted				
Net (Loss):	As Reported	$ (8,465,016)	$ (7,135,954)	$ (5,800,575)
	Pro Forma	$ (10,560,690)	$ (11,041,940)	$ (15,706,850)
Basic and Diluted				
Net (Loss) Per Share:	As Reported	$(.14)	$(.12)	$(.10)
	Pro Forma	$(.18)	$(.19)	$(.27)

</TABLE>
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 years ended October 31, 1999 and 1998 was $61,650 and $189,600, respectively, was measured at the vesting date upon the Company's determination of performance commitment achievement and is included in selling, general and administrative expenses on the accompanying statements of operations. No such costs were incurred in the year ended October 31, 1997.

The fair value of each option grant is estimated at the date of grant using the Black-Scholes option pricing model. The following weighted-average assumptions were used for grants for the years ended October 31, 1999 and 1998, respectively: risk free interest rates of 5.50%; expected dividend yields of 0%; expected lives of 3.53 and 3.23 years; and expected stock price volatility of 78% and 69%. The weighted-average fair value of options granted under SFAS No. 123 for the years ended October 31, 1999 and 1998 was $1.46 and $1.47, respectively.

In May 1987, the Company's shareholders approved the 1987 Plan which, after giving consideration to the five-for-four and the two two-for-one stock splits, as well as an amendment approved by shareholders in May 1990 to increase the number of shares issuable under the 1987 Plan, provided for the granting of stock options to purchase 9,000,000 shares of common stock of the Company. The 1987 Plan provided for the granting of incentive stock options to key employees, and nonqualified stock options to key employees, consultants and directors of the Company. The option prices were determined by the Board of Directors, but with respect to incentive stock options, the option price could not be less than the fair market value at the date of grant. The stock options are exercisable over a period not to exceed 10 years, also as determined by the Board of Directors. In July 1992, the Company registered the shares of common stock covered by the 1987 Plan. Upon approval of the 1993 Plan by the Company's shareholders in July 1993, the 1987 Plan was terminated with respect to the grant of future options.

Information regarding the 1987 Plan for the three years ended October 31, 1999 is as follows:
<TABLE>
<CAPTION>

<S>	Shares <C>	Current Weighted Average Exercise Price Per Share <C>
Shares Under Option at October 31, 1996	754,360	$4.75
Exercised	(68,200)	$2.93
Shares Under Option at October 31, 1997	686,160	$4.93
Expired	(37,600)	$2.47
Shares Under Option and Exercisable at October 31, 1998	648,560	$5.08
Expired	(67,760)	$5.00
Shares Under Option and Exercisable at October 31, 1999	580,800	$5.09

</TABLE>
The following table summarizes information about stock options outstanding under the 1987 Plan as of October 31, 1999:
<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable	
Exercise Prices <S>	Number Outstanding at 10/31/99 <C>	Weighted Average remaining Contractual Life <C>	Weighted Average Exercise Price <C>	Number Exercisable at 10/31/99 <C>	Weighted Average Exercise Price <C>
$3.09	120,000	0.04	3.09	120,000	3.09
$4.25	6,800	1.79	4.25	6,800	4.25
$5.63	454,000	4.32	5.63	454,000	5.63

</TABLE>
The exercise price with respect to all of the options granted under the 1987 Plan since its inception, was at least equal to the fair market value of the underlying common stock at the date of grant. As of October 31, 1999, all of the options to purchase shares of common stock granted and outstanding under the 1987 Plan were exercisable.

On July 14, 1993, the Company's shareholders approved the 1993 Plan, which had been adopted by the Company's Board of Directors on April 28, 1993. 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 thereunder from 6,000,000 to 20,000,000, after giving consideration to the two-for-one stock split in 1996. Incentive stock options and stock appreciation rights may be granted to key employees, and nonqualified stock options and stock appreciation rights may be granted to key employees and consultants of the Company. As amended, nonqualified stock options to purchase 40,000 shares of common stock will be granted annually to each re-elected non-employee director of the Company and 20,000 shares to each newly elected non-employee director. The 1993 Plan is administered by the Stock Option Committee, which determines the option price, term and provisions of each option; however, the purchase price of shares issuable upon the exercise of incentive stock options will not be less than the fair market value of such shares and incentive stock options will not be exercisable for more than 10 years.

Information regarding the 1993 Plan for the three years ended October 31, 1999 is as follows:
<TABLE>
<CAPTION>

<S>	Shares <C>	Current Weighted Average Exercise Price Per Share <C>
Shares Under Option at October 31, 1996	9,174,860	$5.32
Granted	2,905,500	$4.73
Exercised	(274,500)	$3.87
Canceled	(265,500)	$5.87
Shares Under Option at October 31, 1997	11,540,360	$5.19

Granted	2,758,000	$2.82
Canceled	(400,000)	$5.02
Expired	(184,000)	$6.16
Exercised	(10,000)	$2.81
Shares Under Option at October 31, 1998	13,704,360	$4.71
Granted	2,421,000	$1.46
Canceled	(1,938,000)	$5.34
Expired	(50,000)	$5.37
Exercised	(886,200)	$1.53
Shares Under Option at October 31, 1999	13,251,160	$4.22
Options Exercisable at October 31, 1999	12,424,160	$4.44

</TABLE>
The following table summarizes information about stock options outstanding under the 1993 Plan as of October 31, 1999:
<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 10/31/99	Weighted Average remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 10/31/99	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$1.31 to $3.38	5,203,800	6.98	$2.49	4,376,800	$2.70
$3.63 to $5.75	5,631,360	6.14	$4.75	5,631,360	$4.75
$6.38 to $6.88	2,416,000	4.36	$6.78	2,416,000	$6.78

</TABLE>
The exercise price with respect to all of the options granted under the 1993 Plan since its inception, was at least equal to the fair market value of the underlying common stock at the grant date. As of October 31, 1999, 783,000 options were available for future grants under the 1993 Plan.

In December 1998, the Company cancelled and reissued 1,566,500 options to purchase the Company's common stock pursuant to the 1993 Plan, at the then current fair market value.

During the period from November 1, 1999 through January 27, 2000, there were cancellations of 750,200 options under the 1993 Plan. The Company also granted an additional 1,490,000 options to purchase the Company's common stock pursuant to the 1993 Plan during the period from November 1, 1999 through January 27, 2000.

From November 1, 1999 through January 27, 2000, options to purchase 640,000 shares of the Company's common stock were exercised for an aggregate amount of approximatly $540,000.

(5) Commitments and contingencies:

Leases-

The Company leases space at its principal location for office and laboratory research facilities. The current lease is for approximately 11,200 square feet and expires on November 30, 2001. The lease contains base rentals of approximately $201,000 per annum with a 3% annual increase and an escalation clause for increases in certain operating costs. The Company has the right to cancel a portion of the lease as of November 30, 2000. This lease does not contain provisions for its renewal.

In February 1996, the Company entered into a five-year lease for approximately 2,300 square feet of office space. The lease expires on June 30, 2001 and is non-renewable. The base rent for the remaining term is approximately $56,000 per annum.

In October 1996, the Company entered into a lease for approximately 2,000 square feet of office and laboratory space near its principle offices. In May 1997, this lease was modified to add an additional facility of approximately 5,000 square feet of rental space and to extend the lease to June 30, 2000. The modified lease provided for escalating base rents of approximately $46,000, $48,000 and $50,000, respectively, for each year beginning July 1, 1997, and an escalation clause for increases in certain operating costs.

Rent expense for the years ended October 31, 1999, 1998, 1997 and for the period from inception (November 5, 1982) to October 31, 1999, was approximately $313,000, $287,000, $269,000 and $2,424,000, respectively.

(6) Employee pension plan:

The Company adopted a noncontributory defined contribution pension plan, effective November 1, 1983, covering all of its present employees. Contributions, which are made to a trust, are based upon specified percentages of compensation, as defined in the plan. Pension cost, which was approximately $137,000, $123,000 and $102,000 and $805,000 for the fiscal years ended October 31, 1999, 1998, 1997 and for the period from the inception of the plan to

October 31, 1999, respectively, has been accrued and funded on a current basis.

(7) Income taxes:

At October 31, 1999, the Company had tax net operating loss and tax credit carryforwards of approximately $72,210,000 and $1,635,000, respectively, available, within statutory limits (expiring at various dates between 2000 and 2019), to offset any future regular Federal corporate taxable income and taxes payable. The principle differences between the net loss for financial statement purposes and the tax net operating loss attributable to the year ended October 31, 1999, were nondeductible expenses for tax purposes of joint venture receivable reserves and impairment. If the tax benefits relating to deductions of option holders' income are ultimately realized, those benefits will be credited directly to additional paid-in capital. Certain changes in stock ownership can result in a limitation on the amount of net operating loss and tax credit carryovers that can be utilized each year.

The Company had tax net operating loss and tax credit carryforwards of approximately $63,706,000 and $124,000, respectively, at October 31, 1999, available, within statutory limits, to offset future New York State corporate taxable income and taxes payable, if any, under certain computations of such taxes. The tax net operating loss carryforwards expire at various dates between 2000 and 2014 and the tax credit carryforwards expire between 2000 and 2009.

Deferred tax benefits at October 31, 1999 and 1998, which are fully offset by valuation allowances, primarily represent the estimated future tax effects of Federal and State net operating loss and tax credit carryforwards aggregating approximately $33,026,000 and $30,910,000, respectively.

During the period from inception (November 5, 1982) to October 31, 1999, the Company incurred no Federal and no material State income taxes.

(8) Selling, general and administrative expenses:

While there is no formal agreement, the Company's Chairman of the Board and its President waived any and all rights to receive salary and related pension benefits for an undetermined period of time beginning November 1985. The aggregate annual expenses for these individuals at the time of such waivers were approximately $325,000.

Four other individuals, including an officer and three senior level personnel then employed at the Company, waived salary and related pension benefits from January 1987 through December 1990. While there are no formal agreements, commencing January 1991, these individuals waived such rights for an undetermined period of time and 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, continued to waive such rights beginning in January 1993, for an undetermined period of time. From February 1993 to September 1998, one additional employee also waived such salary and benefit rights. The aggregate annual expenses for these five individuals, then employed at the Company, at the time of their respective initial waivers were approximately $440,000. The Company does not anticipate the retroactive reinstatement of any of the salary or related pension benefit waivers indicated above.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

To CopyTele, Inc.:

We have audited, in accordance with generally accepted auditing standards, the financial statements of CopyTele, Inc. included in this filing and have issued our report thereon dated January 27, 2000. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of valuation and qualifying accounts is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/S/ ARTHUR ANDERSEN LLP

Melville, New York
January 27, 2000

SCHEDULE II

COPYTELE, INC

VALUATION AND QUALIFYING ACCOUNTS

(rounded to the nearest thousand)

YEARS ENDED OCTOBER 31, 1999, 1998 AND 1997

<TABLE>
<CAPTION>

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

Column A	Column B	Column C	Column D	Column E
		Additions		
Description	Balance at beginning of period	Charged to costs and expenses	Deductions	Balance at end of period
1999				
Reserve on amounts due from Joint Venture	$ -	$1,407,000	$ -	$ 1,407,000
1998				
Reserve on amounts due from Joint Venture	$ -	$ -	$ -	$ -
1997				
Reserve on amounts due from Joint Venture	$ -	$ -	$ -	$ -

</TABLE>

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

Exhibit 10.13

THE SECURITIES REFERRED TO HEREIN HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE OFFERED OR SOLD UNLESS THE SECURITIES ARE REGISTERED UNDER THE ACT, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT IS AVAILABLE.

COPYTELE, INC.

STOCK SUBSCRIPTION AGREEMENT

This Stock Subscription Agreement (this "Agreement"), dated as of August 30, 1999, is entered into by and between CopyTele, Inc., a Delaware corporation (the "Company"), and Lewis H. Titterton (the "Subscriber").

The Company has offered for sale, and the Subscriber has agreed to purchase, 200,000 shares (the "Shares") of common stock, par value $.01 per share (the "Common Stock"), of the Company and a Warrant (the "Warrant") to purchase 200,000 shares of Common Stock (the "Warrant Shares"). In connection therewith, the Company and the Subscriber hereby agree as follows:

1. Purchase and Sale of Shares.

Upon the basis of the representations and warranties, and subject to the terms and conditions, set forth herein, the Company agrees to issue and sell the Shares and the Warrant to the Subscriber on the Closing Date (as hereinafter defined) at a purchase price of $1.00 per share of Common Stock, or an aggregate purchase price of $200,000 (the "Subscription Price"), and the Subscriber agrees to purchase the Shares and the Warrant from the Company on the Closing Date at the Subscription Price.

2. Closing.

The closing of the purchase and sale of the Shares shall take place at 10:00 a.m., New York City time, on September 8, 1999, at the offices of the Company at 900 Walt Whitman Road, Huntington, New York 11746, or on such other date or at such other time or place as the Company and the Subscriber may agree upon in writing (such time and date of the closing being referred to herein as the "Closing Date"). Upon payment of the Subscription Price in full in the form of cash or certified or bank check payable to the order of the Company, the Company will deliver to the Subscriber as promptly as practicable (but in no event later than fifteen (15) days following the date of payment in full of the Subscription Price) (i) a certificate or certificates representing the Shares, registered in the name of the Subscriber, and (ii) a Warrant granting the Subscriber the right to purchase the Warrant Shares at the purchase price per share of $1.00, expiring two (2) years following the Closing Date, in the form attached hereto as Exhibit A, the terms and conditions of which are agreed to by the Subscriber.

3. Representations and Warranties of the Company.

The Company represents and warrants that:

(a) no consent, approval, authorization or order of any court, governmental agency or body or arbitrator having jurisdiction over the Company or any of the Company's affiliates is required for the execution of this Agreement or the performance of the Company's obligations hereunder, including, without limitation, the sale of the Shares to the Subscriber;

(b) neither the sale of the Shares and the Warrant nor the performance of the Company's other obligations pursuant to this Agreement will violate, conflict with, result in a breach of, or constitute a default (or an event that, with the giving of notice or the lapse of time or both, would constitute a default) under (i) the certificate of incorporation or bylaws of the Company, (ii) any decree, judgment, order or determination of any court, governmental agency or body, or arbitrator having jurisdiction over the Company or any of the Company's properties or assets, (iii) any law, treaty, rule or regulation applicable to the Company (other than the federal securities laws, representations and warranties with respect to which are made by the Company solely in paragraphs (f) through (j) of this Section 3) or (iv) the terms of any bond, debenture, note or other evidence of indebtedness, or any agreement, stock option or other similar plan, indenture, lease, mortgage, deed or trust or other instrument to which the Company is a party or otherwise bound or to which any property of the Company is subject;

(c) the Company has or, prior to the Closing, will have taken all corporate action required to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder;

(d) the Company has duly authorized the Shares and the Warrant Shares and, when issued and delivered in accordance with the terms of the Company's certificate of incorporation and delivered to and paid for by the Subscriber in accordance with the terms hereof and the Warrant, respectively, the Shares and the Warrant Shares will be duly and validly issued, fully paid and non-assessable, and the issuance of the Shares and the Warrant Shares will not be subject to any preemptive or similar rights;

(e) the Shares and the Warrant Shares will be free and clear of any security interest, lien, claim or other encumbrance;

(f) the sale of the Shares and the Warrants by the Company are not part of a plan or scheme to evade the registration requirements of the Securities Act of 1933, as amended (the "Act");

(g) neither the Company nor any person acting on behalf of the Company has offered or sold any of the Shares or the Warrant by any form of general solicitation or general advertising;

(h) the Company has offered the Shares and the Warrant for sale only to "accredited investors," as such term is defined in Rule 501(a) under the Act, who by reason of their business and financial experience have such knowledge, sophistication and experience in business and financial matters as to be capable of evaluating the merits and risks of the investment in the Shares, the Warrant and the Warrant Shares;

(i) the Company's Annual Report on Form 10-K (the "Form 10-K") for the fiscal year ended October 31, 1998 fairly and accurately presents the Company's business as of the date thereof and its financial condition and results of operation through October 31, 1998, and the Form 10-K does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading;

(j) the financial statements of the Company included in the Form 10-K, including the schedules and notes thereto, comply in all material respects with the requirements of the Securities Exchange Act of 1934, as amended, and have been prepared, and fairly present the financial condition and results of operations and cash flows of the Company and its subsidiaries at the respective dates and for the respective periods indicated, in accordance with generally accepted accounting principles consistently applied throughout such periods; and

(k) except as set forth in the Form 10-K, since October 31, 1998 (i) the Company has not incurred any material liabilities, direct or contingent, and (ii) there has been no material adverse change in the properties, business, results of operations, condition (financial or other), affairs or prospects of the Company and its subsidiaries, taken as a whole.

The Company has not made any representations or warranties to the Subscriber, and the Subscriber has not relied upon any representations or warranties of the Company, except as expressly set forth in this Section 3.

4. Representations and Warranties of the Subscriber.

The Subscriber represents and warrants that:

(a) the purchase of the Shares and the Warrant by the Subscriber is not part of a plan or scheme to evade the registration requirements of the Act;

(b) the Subscriber is an "accredited investor," as such term is defined in Rule 501(a) under the Act, who by reason of its business and financial experience has such knowledge, sophistication and experience in business and financial matters as to be capable of evaluating the merits and risks of the investment in the Shares, the Warrant and the Warrant Shares and, having had access to or having been furnished with all such information as it has considered necessary (including, without limitation, the Form 10-K), has concluded that it is able to bear those risks;

(c) the Subscriber understands that (i) the Shares, the Warrant and the Warrant Shares have not been registered under the Act and may not be offered or sold unless registered under the Act or an exemption from the registration requirements of the Act is available, (ii) if any transfer of the Shares, the Warrant or the Warrant Shares is to be made in reliance on an exemption under the Act, the Company may require an opinion of counsel satisfactory to it that such transfer may be made pursuant to such exemption and (iii) so long as deemed appropriate by the Company, the Shares, the Warrant and the Warrant Shares may bear a legend to the effect of clauses (i) and (ii) of this paragraph;

(d) in making any subsequent offering or sale of the Shares, the Subscriber will be acting only for itself and not as part of a sale or planned distribution in violation of the Act;

(e) the Shares and Warrant were not offered to the Subscriber by any form of general solicitation or general advertising;

(f) the Subscriber understands that no federal or state or other governmental agency has passed upon or made any recommendation or endorsement with respect to the Shares, the Warrant or the Warrant Shares;

(g) the Subscriber is purchasing the Shares and the Warrant, and will acquire the Warrant Shares, for its own account and not with a view to, or for sale in connection with, any distribution;

(h) during the period of five (5) business days immediately prior to the execution of this Agreement by the Subscriber, Subscriber did not, and from such date and through the expiration of the 90th day following the date hereof will not, directly or indirectly, execute or effect or cause to be executed or effected any short sale, option, or equity swap transaction in or with respect to the Common Stock or any other derivative security transaction the purpose or effect of which is to hedge or transfer to a third party all or any part of the risk of loss associated with the ownership of the Shares, the Warrant or the Warrant Shares by the Subscriber; and

(i) no consent, approval, authorization or order of any court, governmental agency or body or arbitrator having jurisdiction over the Subscriber or any of the Subscriber's affiliates is required for the execution of this Agreement or the performance of the Subscriber's obligations hereunder, including, without limitation, the purchase of the Shares and the Warrant by the Subscriber.

5. Conditions to Closing.

The obligations of each party hereunder shall be subject to (a) the accuracy of the representations and warranties of the other party hereto as of the date hereof and as of the Closing Date, as if such representations and warranties had been made on and as of such date, (b) the performance by the other party of its obligations hereunder and (c) the condition that Les Appel, counsel to the Subscriber, shall have delivered on or prior to the Closing Date an opinion to the effect that the sale of the Shares and the Warrant pursuant to, and in the manner contemplated by, this Agreement does not require registration under the Act, which opinion shall be acceptable to the Company's transfer agent for the

Shares. The Company and the Subscriber hereby acknowledge that Les Appel, counsel to the Subscriber, will rely on the accuracy and truth of the representations and warranties of the Company and the Subscriber in Section 3 and Section 4, respectively, and hereby, consent to such reliance by such counsel.

6. Indemnification.

(a) The Company agrees to indemnify and hold harmless the Subscriber, each person, if any, who controls the Subscriber within the meaning of Section 15 of the Act and each officer, director, employee and agent of the Subscriber and of any such controlling person against any and all losses, liabilities, claims, damages or expenses whatsoever, as incurred, arising out of or resulting from any breach or alleged breach or other violation or alleged violation of any representation, warranty, covenant or undertaking by the Company contained in this Agreement, and the Company will reimburse the Subscriber for its reasonable legal and other expenses (including the cost of any investigation and preparation, and including the reasonable fees and expenses of counsel) incurred in connection therewith.

(b) The Subscriber agrees to indemnify and hold harmless the Company, each person, if any, who controls the Company within the meaning of Section 15 of the Act and each officer, director, employee and agent of the Company and of any such controlling person against any and all losses, liabilities, claims, damages or expenses whatsoever, as incurred, arising out of or resulting from any breach or alleged breach or other violation or alleged violation of any representation, warranty, covenant or undertaking by the Subscriber contained in this Agreement, and the Subscriber will reimburse the Company for its reasonable legal and other expenses (including the cost of any investigation and preparation, and including the reasonable fees and expenses of counsel) incurred in connection therewith.

7. Survival of Representations and Warranties.

The respective agreements, representations, warranties, indemnities and other statements made by or on behalf of each party hereto pursuant to this Agreement shall remain in full force and effect, regardless of any investigation made by or on behalf of any party, and shall survive delivery of any payment for the Shares and the Warrant.

8. Miscellaneous.

(a) This Agreement may be executed in one or more counterparts, and such counterparts shall constitute but one and the same agreement.

(b) This Agreement shall inure to the benefit of and be binding upon the parties hereto, their respective successors and, with respect to the indemnification provisions hereof, each person entitled to indemnification hereunder, and no other person shall have any right or obligation hereunder. This Agreement shall not be assignable by any party hereto without the prior written consent of the other party hereto. Any assignment contrary to the terms hereof shall be null and void and of no force or effect.

(c) This Agreement represents the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and can be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument making specific reference to this Agreement signed by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought.

9. Time of the Essence.

Time shall be of the essence in this Agreement.

10. Governing Law.

This Agreement shall be governed by the internal laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Stock Subscription Agreement to be executed and delivered as of the date first written above.

COPYTELE, INC.

By: Denis A. Krusos

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

SUBSCRIBER:

Lewis H. Titterton

Name: Lewis H. Titterton

THIS WARRANT AND ANY SECURITIES ACQUIRED UPON THE EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND NEITHER THE SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR SUCH LAWS OR AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT AND SUCH LAWS THAT, IN THE OPINION OF COUNSEL FOR THE HOLDER, WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO COUNSEL FOR THIS CORPORATION, IS AVAILABLE.

Warrant to Purchase — Expiration: September 8, 2001

200,000 Shares

COPYTELE, INC.
COMMON STOCK PURCHASE WARRANT

This certifies that, for good and valuable consideration, CopyTele, Inc., a Delaware corporation (including any successor thereto with respect to the obligations hereunder, by merger, consolidation or otherwise, the "Company"), grants to Lewis Titterton or permitted assigns (the "Warrantholder"), the right to subscribe for and purchase, in whole or in part, from time to time from the Company 200,000 duly authorized, validly issued, fully paid and nonassessable shares (the "Warrant Shares") of the Company's Common Stock, par value $.01 per share (the "Common Stock"), at the purchase price per share of $ 1.00 (the "Exercise Price") at any time prior to 5:00 p.m., New York time on the Expiration Date, all subject to the terms, conditions and adjustments herein set forth. The terms that are capitalized herein shall have the meanings specified in Section 10 hereof, unless the context shall otherwise require.

1. Duration and Exercise of Warrant; Limitation on Exercise; Payment of Taxes.

1.1. Duration and Exercise of Warrant.

Subject to the terms and conditions set forth herein, this Warrant may be

exercised, in whole or in part, by the Warrantholder by:

(a) the surrender of this Warrant to the Company, with a duly executed Exercise Form specifying the number of Warrant Shares to be purchased, during normal business hours on any Business Day prior to the Expiration Date; and

(b) the delivery of payment to the Company of the Exercise Price for the number of Warrant Shares specified in the Exercise Form in the form of cash or certified or bank check payable to the order of the Company.

The Company agrees that such Warrant Shares shall be deemed to be issued to the Warrantholder as the record holder of such Warrant Shares as of the close of business on the date on which this Warrant shall have been surrendered and payment made for the Warrant Shares as aforesaid. Notwithstanding the foregoing, no such surrender shall be effective to constitute the person entitled to receive such shares as the record holder thereof while the transfer books of the Company for the Common Stock are closed for any purpose (but not for any period in excess of five days); but any such surrender of this Warrant for exercise during any period while such books are so closed shall become effective for exercise immediately upon the reopening of such books, as if the exercise had been made on the date this Warrant was surrendered and for the number of shares of Common Stock and at the Exercise Price in effect at the date of such surrender. This Warrant and all rights and options hereunder shall expire on the Expiration Date, and shall be wholly null and void to the extent this Warrant is not exercised before it expires.

1.2. Warrant Shares Certificate.

A stock certificate or certificates for the Warrant Shares specified in the Exercise Form shall be delivered to the Warrantholder within 10 Business Days after receipt of the Exercise Form by the Company and payment of the purchase price. If this Warrant shall have been exercised only in part, the Company shall, at the time of delivery of the stock certificate or certificates, deliver to the Warrantholder a new Warrant evidencing the rights to purchase the remaining Warrant Shares, which new Warrant shall in all other respects be identical with this Warrant.

1.3. Payment of Taxes.

The issuance of certificates for Warrant Shares shall be made without charge to the Warrantholder for any stock transfer or other issuance tax in respect thereto; provided, however, that the Warrantholder shall be required to pay any and all taxes that may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the then Warrantholder as reflected upon the books of the Company.

2. Restrictions on Transfer; Restrictive Legends.

2.1. Limitation on Transfer.

No Warrantholder shall, directly or indirectly, sell, give, assign, hypothecate, pledge, encumber, grant a security interest in or otherwise dispose of (whether by operation of law or otherwise) (each a "transfer") this Warrant or any right, title or interest herein or hereto, except in accordance with the provisions of this Warrant. Any attempt to transfer this Warrant or any rights hereunder in violation of the preceding sentence shall be null and void ab initio and the Company shall not register any such transfer.

2.2. Transfer Procedures.

If any Warrantholder wishes to transfer this Warrant to a transferee (a "Transferee") under this Section 2, such Warrantholder shall give notice to the Company of its intention to make any transfer permitted under this Section 2 not less than five (5) days prior to effecting such transfer, which notice shall state the name and address of each Transferee to whom such transfer is proposed. This Warrant may, in accordance with the terms hereof, be transferred in whole or in part. If this Warrant is assigned in whole, the assignee shall receive a new Warrant (registered in the name of such assignee or its nominee) which new Warrant shall cover the number of shares assigned. If this Warrant is assigned in part, the assignor and assignee shall each receive a new Warrant (which, in the case of the assignee, shall be registered in the name of the assignee or its nominee), each of which new Warrant shall cover the number of shares not so assigned and in respect of which no such exercise has been made in the case of the assignor and the number of shares so assigned, in the case of the assignee.

2.3. Transfers in Compliance with Law; Substitution of Transferee.

Notwithstanding any other provision of this Warrant, no transfer may be made pursuant to this Section 2 unless (a) the Transferee has agreed in writing to be bound by the terms and conditions hereto, (b) the transfer complies in all respects with the applicable provisions of this Warrant, and (c) the transfer complies in all respects with applicable federal and state securities laws, including, without limitation, the Securities Act of 1933, as amended. If requested by the Company in its reasonable judgment, an opinion of counsel to such transferring Warrantholder shall be supplied to the Company at such transferring Warrantholder's expense, to the effect that such transfer complies with the applicable federal and state securities laws; provided, however, that no such opinion shall be required if the Transferee is a successor trust to the Warrantholder which has the same beneficiaries. Any attempt to transfer this Warrant or rights hereunder in violation of this Warrant shall be null and void ab initio and the Company shall not register such transfer.

3. Legends.

Each Warrant (and each Warrant issued in substitution for any Warrant pursuant hereto) shall be stamped or otherwise imprinted with a legend in substantially the following form:

THIS WARRANT AND ANY SECURITIES ACQUIRED UPON THE EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND NEITHER THE SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR SUCH LAWS OR AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT AND SUCH LAWS THAT, IN THE OPINION OF COUNSEL FOR THE HOLDER, WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO COUNSEL FOR THIS CORPORATION, IS AVAILABLE.

Each stock certificate for Warrant Shares issued upon the exercise of any Warrant and each stock certificate issued upon the direct or indirect transfer of any such Warrant Shares shall be stamped or otherwise imprinted with a legend in substantially the following form:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS AND NEITHER THE SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR SUCH LAWS OR AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT AND SUCH LAWS THAT, IN THE OPINION OF COUNSEL FOR THE HOLDER, WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO COUNSEL FOR THIS CORPORATION, IS AVAILABLE.

Notwithstanding the foregoing, the Warrantholder may require the Company to issue a Warrant or a stock certificate for Warrant Shares, in each case without a legend, if either (i) such Warrant or such Warrant Shares, as the case may be, have been registered for resale under the Securities Act or (ii) the Warrantholder has delivered to the Company an opinion of counsel (reasonably satisfactory to the Company) which opinion shall be addressed to the Company and be reasonably satisfactory in form and substance to the Company's counsel, to the affect that such registration is not required with respect to such Warrant or such Warrant Shares, as the case may be.

4. Reservation of Shares, Etc.

The Company covenants and agrees as follows:

(a) All Warrant Shares that are issued upon the exercise of this Warrant will, upon issuance, be duly and validly issued, fully paid and nonassessable, not subject to any preemptive rights, and free from all taxes, liens, security interests, charges, and other encumbrances with respect to the issuance thereof, other than taxes in respect of any transfer occurring contemporaneously with such issue.

(b) During the period within which this Warrant may be exercised, the Company will at all times have authorized and reserved, and keep available free from preemptive rights, a sufficient number of shares of Common Stock to provide for the exercise of the rights represented by this Warrant.

5. Loss or Destruction of Warrant.

Subject to the terms and conditions hereof, upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, of such bond or indemnification as the Company may reasonably require and, in the case of such mutilation, upon surrender and cancellation of this Warrant, the Company will execute and deliver a new Warrant of like tenor. If the original holder of this Warrant or any subsequent Institutional Holder with a minimum net worth of at least $25,000,000 is the owner of this Warrant at the time it shall be lost, stolen or destroyed, then the affidavit of an authorized officer of such owner, setting forth the fact of such loss, theft or destruction and of its ownership of this Warrant at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no further bond shall be required as a condition to the execution and delivery of a new Warrant other than the written agreement of such owner to indemnify the Company.

6. Ownership of Warrant.

The Company may deem and treat the person in whose name this warrant is registered as the holder and owner hereof (notwithstanding any notations of ownership or writing hereon made by anyone other than the Company) for all purposes and shall not be affected by any notice to the contrary, until presentation of this Warrant for registration of transfer. Notwithstanding the foregoing, the Warrants represented hereby, if properly assigned in compliance with this Agreement, may be exercised by an assignee for the purchase of Warrant Shares without having a new Warrant issued.

7. Certain Adjustment.

7.1. The number of Warrant Shares purchasable upon the exercise of this Warrant and the Exercise Price shall be subject to adjustment as follows:

(a) Stock Dividends; Stock Splits. If at any time after the date of the issuance of this Warrant (i) the Company shall pay a stock dividend or make any other distribution payable in shares of Common Stock or (ii) the number of shares of Common Stock shall have been increased by a subdivision or split-up of shares of Common Stock, then, on the date of the payment of such dividend or immediately after the effective date of subdivision or split up, as the case may be, the number of shares to be delivered upon exercise of this Warrant will be increased so that the Warrantholder will be entitled to receive the number of shares of Common Stock that such Warrantholder would have owned immediately following such action had this Warrant been exercised immediately prior thereto, and the Exercise Price will be adjusted as provided below in paragraph (f).

(b) Combination of Stock. If the number of shares of Common stock outstanding at any time after the date of the issuance of this Warrant shall have been decreased by a combination of the outstanding shares of Common Stock, then, immediately after the effective date of such combination, the number of shares of Common Stock to be delivered upon exercise of this Warrant will be decreased so that the Warrantholder thereafter will be entitled to receive the number of shares of Common Stock that such Warrantholder would have owned immediately following such action had this Warrant been exercised immediately prior thereto, and the Exercise Price will be adjusted as provided below in paragraph (f).

(c) Reorganization, etc. If any capital reorganization of the Company, or any reclassification of the Common Stock, or any consolidation or share exchange of the Company with or merger of the Company with or into any other person or any sale, lease or other transfer of all or substantially all of the assets of the Company to any other person, shall be effected in such a way that the holders of Common Stock shall be entitled to receive stock, other securities or assets (whether such stock, other securities or assets are issued or distributed by the Company or another person) with respect to or in exchange for Common Stock, then, upon exercise of this Warrant the Warrantholder shall have the right to receive the kind and amount of stock other securities or assets receivable upon such reorganization, reclassification, consolidation, merger or sale, lease or other transfer by a holder of the number of shares of Common Stock that such Warrantholder would have been entitled to receive upon exercise of this Warrant had this Warrant been exercised immediately before such reorganization, reclassification, consolidation, merger or sale, lease or other transfer, subject to adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 7.1.

(d) Fractional Shares. No fractional shares of Common Stock or scrip shall be issued to any Warrantholder in connection with the exercise of this Warrant. Instead of any fractional shares of Common Stock that would otherwise be issuable to such Warrantholder, the Company will pay to such Warrantholder a cash adjustment in respect of such fractional interest in an amount equal to that fractional interest of the then current Fair Market Value per share of Common Stock.

(e) Carryover Notwithstanding any other provision of this Section 7.1, no adjustment shall be made to the number of shares of Common Stock to be delivered to the Warrantholder (or to the Exercise Price) if such adjustment represents less than 1% of the number of shares to be so delivered, but any lesser adjustment shall be carried forward and shall he made at the time and together with the next subsequent adjustment that together with any adjustments so carried forward shall amount to 1% or more of the number of shares to be so delivered. However, upon the exercise of this Warrant, the Company shall make all necessary adjustments not theretofore made to the number of shares of Common Stock to be delivered to the Warrantholder (or to the Exercise Price) up to and including the date upon which this Warrant is exercised.

(f) Exercise Price Adjustment. Whenever the number of Warrant Shares purchasable upon the exercise of the Warrant is adjusted as provided pursuant to this Section 7.1, the Exercise Price payable upon the exercise of this Warrant shall be adjusted by multiplying such Exercise Price immediately prior to such adjustment by a fraction, of which the numerator shall be the number of Warrant Shares purchasable upon the exercise of the Warrant immediately prior to such adjustment, and of which the denominator shall be the number of Warrant Shares purchasable immediately thereafter; provided, however, that the Exercise Price for each Warrant Share shall in no event be less than the par value of such Warrant Share.

7.2. No Adjustment for Dividends.

Except as provided in Section 7.1, no adjustment in respect of any dividends shall be made during the term of this Warrant or upon the exercise of this Warrant. Notwithstanding any other provision hereof, no adjustments shall be made on Warrant Shares issuable on the exercise of this Warrant for any cash dividends paid or payable to holders of record of Common Stock prior to the date as of which the Warrantholder shall be deemed to be the record holder of such Warrant Shares.

7.3. Notice of Adjustment.

Whenever the number of Warrant Shares or the Exercise Price of such Warrant Shares is adjusted, as herein provided, or the rights of the Warrantholder shall change by reason of other events specified herein, the Company shall promptly mail by first class, postage prepaid, to the Warrantholder, notice of such adjustment or adjustments and a certificate of the Chief Financial Officer of the Company setting forth the number of Warrant Shares and the Exercise Price of such Warrant Shares after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made.

8. Amendments.

Any provision of this Warrant may be amended and the observance thereof waived only with the written consent of the Company and the Warrantholder.

9. Notices of Corporate Action.

So long as this Warrant has not been exercised in full, in the event of:

(a) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right,

(b) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company or any consolidation or merger involving the Company and any other party or any transfer of all or substantially all the assets of the Company to any other party, or

(c) any voluntary or involuntary dissolution, liquidation or winding-up of the Company, the Company will mail to the Warrantholder a notice specifying (i) the date or expected date on which any such record is to be taken for the purpose of such dividend, distribution or right and the amount and character of any such dividend, distribution or right and (ii) the date or expected date on which any such reorganization, reclassification, recapitalization, consolidation, merger, transfer, dissolution, liquidation or winding-up is to take place and the time, if any such time is to be fixed, as of which the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for the securities or other property deliverable upon such reorganization, reclassification, recapitalization, consolidation, merger, transfer, dissolution, liquidation or winding-up. Such notice shall be delivered at least 10 days prior to the date therein specified, in the case of any date referred to in the foregoing subdivisions (i) and (ii).

10. Definitions.

As used herein, unless the context otherwise requires, the following terms have the following respective meanings:

"Business Day" means any day other than a Saturday, Sunday or a day on which national banks are authorized by law to close in the State of New York.

"Common Stock" has the meaning specified on the cover of this Warrant.

"Company" has the meaning specified on the cover of this Warrant

"Exercise Form" means an Exercise Form in the form annexed hereto as Exhibit A.

"Exercise Price" has the meaning specified on the cover of this Warrant.

"Expiration Date" means September 8, 2001 ; provided, however, that if such date shall not be a Business Day, then on the next following day that is a Business Day.

"Institutional Holder" means any bank, trust company, savings and loan association or other financial institution, any pension plan, any pension trust, any investment company, any insurance company, any broker or dealer, or any similar financial institution or entity, regardless of legal form.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority or other entity.

"Securities Act" has the meaning specified on the cover of this Warrant, or any similar Federal statute, and the rules and regulations of the Securities and Exchange Commission thereunder, all as the same shall be in effect at the time. Reference to a particular section of the Securities Act, shall include a reference to the comparable section, if any, of any such similar Federal statute.

"Transfer" has the meaning specified in Section 2.1

"Transferee" has the meaning specified in Section 2.2.

"Warrantholder" has the meaning specified on the cover of this Warrant.

"Warrant Shares" has the meaning specified on the cover of this Warrant.

11. Miscellaneous.

11.1. Entire Agreement.

This Warrant constitutes the entire agreement between the Company and the Warrantholder with respect to the Warrants.

11.2. Binding Effect; Benefits.

This Warrant shall inure to the benefit of and shall be binding upon the Company and the Warrantholder and their respective successors and assigns. Nothing in this Warrant, expressed or implied, is intended to or shall confer on any person other than the Company and the Warrantholder, or their respective successors or assigns, any rights, remedies, obligations or liabilities under or by reason of this Warrant.

11.3. Section and Other Headings.

The section and other headings contained in this Warrant are for reference purposes only and shall not be deemed to be a part of this Warrant or to affect the meaning or interpretation of this Warrant.

11.4. Notices.

All notices and other communications required or permitted hereunder shall be in writing and shall be delivered personally, telecopied or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally, telecopied or sent by certified, registered or express mail, as follows:

(a) if to the Company, addressed to:

CopyTele, Inc.
900 Walt Whitman Road
Huntington, New York 11746
Attn:Chief Financial Officer

(b) if to Warrantholder, addressed to:

Lewis H. Titterton
6 Autumn Lane
Saratoga Springs, NY 12866

Any party may by notice given in accordance with this Section 11.4 designate another address or person for receipt of notices hereunder.

11.5. Severability.

Any term or provision of this Warrant which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the terms and provisions of this Warrant or affecting the validity or enforceability of any of the terms or provisions of this Warrant in any other jurisdiction.

11.6. Governing Law.

This Warrant shall be deemed to be a contract made under the laws of the State of New York and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to such agreements made and to be performed entirely within such State.

11.7. No Rights or Liabilities as Stockholder.

Nothing contained in this Warrant shall be determined as conferring upon the Warrantholder any rights as a stockholder of the Company or as imposing any liabilities on the Warrantholder to purchase any securities whether such liabilities are asserted by the Company or by creditors or stockholders of the Company or otherwise.

11.8. Copy of Warrant.

A copy of this Warrant shall be filed among the records of the Company.

11.9. Exercise of Remedies.

In the event that the Company shall fail to observe any provision contained in this Warrant, the holder hereof and/or any holder of the Common Stock issued hereunder, as the case may be, may enforce its rights hereunder by suit in equity, by action at law, or by any other appropriate proceedings in aid of the exercise of any power granted in this Warrant and, without limiting the foregoing, said holder shall be entitled to the entry of a decree for specific performance and to such other and further relief as such court may decree.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer.

COPYTELE, INC.

By: Denis A. Krusos
Name: Denis A. Krusos
Title: Chairman of the Board &
Chief Executive Officer

Dated: September 8, 1999

Exhibit A

EXERCISE FORM

(To be executed upon exercise of this Warrant)

The undersigned hereby irrevocably elects to exercise the right, represented by this Warrant, to purchase _________ of the Warrant Shares and herewith tenders payment for such Warrant Shares to the order of CopyTele, Inc. in the amount of $________ in accordance with the terms of this Warrant. The undersigned requests (a) that a certificate for such Warrant Shares be registered in the name of the undersigned (b), if such shares shall not include all of the shares issuable as provided in such Warrant, that a new Warrant of like tenor and date for the balance of the shares issuable thereunder be issued to the undersigned and (c) that such certificates and Warrant, if any, be delivered to the undersigned's address below.

The undersigned represents that it is acquiring such Warrant Shares for its own account for investment and not with a view to or for sale in connection with any distribution thereof.

Dated:

Signature

(Print Name)

(Street Address)

(City) (State) (Zip Code)

Signed in the presence of:

EXHIBIT 21

List of Significant Subsidiaries

Shanghai CopyTele Electronics Co., Ltd. Shanghai, China

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated January 27, 2000, included in this Form 10-K, into CopyTele, Inc.'s previously filed Registration Statement on Form S-8, as amended, (File No. 33-49402), Registration Statement on Form S-8 (File No. 33-72716), Registration Statement on Form S-8 (File No. 33-62381) and Registration Statement on Form S-8 (File No. 333-16933).

ARTHUR ANDERSEN LLP

Melville, New York
January 27, 2000

<TABLE> <S> <C>

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financial statements contained in the body of the accompanying Form10-K and is qualified in its entirety by reference to such financial statements.

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Exhibit 99.1

SHANGHAI COPYTELE ELECTRONICS CO., LTD.

(Registered in the People's Republic of China)

INDEX TO FINANCIAL STATEMENTS

OCTOBER 31, 1999

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Balance Sheets as of October 31, 1999 and 1998	F-2
Statements of Operations for each of the three years ended October 31, 1999	F-3
Statements of Cash Flows for each of the three years ended October 31, 1999	F-4 - F-5
Statements of Owners' Equity for each of the three years ended October 31, 1999	F-6
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</TABLE>

Information required by schedules called for under Regulation S-X is either not applicable or is included in the financial statements or notes thereto.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Investors of

Shanghai CopyTele Electronics Co., Ltd.

We have audited the accompanying balance sheets of Shanghai CopyTele Electronics Co., Ltd. (established in the People's Republic of China) as of October 31, 1999 and 1998, and the related statements of operations, cash flows and owners' equity for each of the three years ended October 31, 1999. These financial statements are the responsibility of the management of Shanghai CopyTele Electronics Co., Ltd. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shanghai CopyTele Electronics Co., Ltd. as of October 31, 1999 and 1998, and the results of its operations, cash flows and the changes in its owners' equity for each of the three years ended October 31, 1999, in conformity with generally accepted accounting principles in the United States of America.

The accompanying financial statements have been prepared assuming that Shanghai

CopyTele Electronics Co., Ltd. (the "Company") will continue as a going concern. As discussed in Note 1 to the financial statements, the Company continues to have negative working capital and is incurring losses from its operations that raises substantial doubt about its ability to continue as a going concern. The Company is taking action to improve its liquidity and believes that it has sufficient resources to continue in operation. Nevertheless, as discussed in Notes 3 and 8 to the financial statements, the Company remains heavily dependent upon its principal customer and major shareholder, CopyTele, Inc., for future sales and profitability. Inventories have been stated at cost in the financial statements, on the assumption that gross margins on sales to CopyTele, Inc. will improve. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

Shanghai, PRC
November 24, 1999

<TABLE>
<CAPTION>

Shanghai CopyTele Electronics Co., Ltd.

BALANCE SHEETS

AS OF OCTOBER 31, 1999 AND 1998

(Amounts expressed in United States Dollars)

	Note	October 31, 1999	October 31, 1998
<S>	<C>	<C>	<C>
ASSETS			
CURRENT ASSETS:			
Cash on hand and at banks		17,793	51,760
Due from CopyTele, Inc.	8	861,611	661,592
Inventories	3	1,574,315	3,568,202
Other current assets		5,812	68,581
Total current assets		2,459,531	4,350,135
PROPERTY, PLANT AND EQUIPMENT, net	4	1,641,066	1,812,310
LAND USE RIGHT, net	5	287,055	293,273
TOTAL ASSETS		4,387,652	6,455,718
LIABILITIES AND OWNERS' EQUITY			
CURRENT LIABILITIES:			
Short-term loans	6	1,080,268	999,316
Accounts payable		206,680	221,459
Due to CopyTele, Inc.	8	2,269,072	3,916,628
Other current liabilities		104,046	116,593
Total current liabilities		3,660,066	5,253,996
OWNERS' EQUITY			
Paid-in capital	1	3,500,000	3,500,000
Accumulated deficit		(2,772,414)	(2,298,278)
Total Owners' Equity		727,586	1,201,722
TOTAL LIABILITIES AND OWNERS' EQUITY		4,387,652	6,455,718

</TABLE>

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

<TABLE>
<CAPTION>

Shanghai CopyTele Electronics Co., Ltd.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED OCTOBER 31, 1999, 1998 AND 1997

(Amounts expressed in United States Dollars)

<S>	Note <C>	For the years ended October 31, 1999 <C>	1998 <C>	1997 <C>
SALES, net	8	-	-	-
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		(399,782)	(631,101)	(594,375)
Operating loss		(399,782)	(631,101)	(594,375)
OTHER OPERATING INCOME (EXPENSES)				
Interest expenses, net		(76,115)	(56,117)	(19,870)
Foreign exchange (loss) gain, net		551	169	5,002
Others, net		1,210	1,196	(559)
Loss before taxation		(474,136)	(685,853)	(609,802)
TAXATION	7	-	-	-
NET LOSS		(474,136)	(685,853)	(609,802)
ACCUMULATED DEFICIT, beginning of year		(2,298,278)	(1,612,425)	(1,002,623)
ACCUMULATED DEFICIT, end of year		(2,772,414)	(2,298,278)	(1,612,425)

</TABLE>

The accompanying notes are an integral part of these statements.

<TABLE>
<CAPTION>

Shanghai CopyTele Electronics Co., Ltd.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED OCTOBER 31, 1999, 1998 AND 1997

(Amounts expressed in United States Dollars)

<S>	For the years ended October 31, 1999 <C>	1998 <C>	1997 <C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from sales of goods	460,113	1,111,118	455,375

Interest received	1,405	2,124	6,468
Interest paid	(77,520)	(58,241)	(26,338)
Payment to suppliers, employees and others	(498,917)	(1,553,313)	(809,641)
Net cash used in operating activities	(114,919)	(498,312)	(374,136)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for purchases of property, plant and equipment	-	(85,122)	(991,839)
Net cash used in investing activities	-	(85,122)	(991,839)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds of short-term loans	80,952	499,304	500,012
Net cash provided by financing activities	80,952	499,304	500,012
Net Decrease in cash and cash equivalents	(33,967)	(84,130)	(865,963)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	51,760	135,890	1,001,853
CASH AND CASH EQUIVALENTS AT END OF YEAR	17,793	51,760	135,890

</TABLE>

<TABLE>
<CAPTION>

Shanghai CopyTele Electronics Co., Ltd.

STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED OCTOBER 31, 1999, 1998 AND 1997

(Amounts expressed in United States Dollars)

	For the years ended October 31,		
	1999	1998	1997
<S>	<C>	<C>	<C>
RECONCILIATIONS OF NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:			
NET LOSS	(474,136)	(685,853)	(609,802)
Depreciation and amortization	177,462	176,708	106,143
Interest income	(1,405)	(2,124)	(6,468)
Interest expenses	77,520	58,241	26,338
Decrease (increase) in inventories	1,993,887	1,262,259	(4,830,407)
(Increase) decrease in due from CopyTele, Inc. and other current assets	(137,250)	(698,185)	212,127
(Decrease) increase in accounts payable, due to CopyTele, Inc. and other current liabilities	(1,674,882)	(553,241)	4,747,803
Interest received	1,405	2,124	6,468
Interest paid	(77,520)	(58,241)	(26,338)
Net cash used in operating activities	(114,919)	(498,312)	(374,136)

</TABLE>

The accompanying notes are an integral part of these statements.

<TABLE>

<CAPTION>

Shanghai CopyTele Electronics Co., Ltd.

STATEMENTS OF OWNERS' EQUITY

FOR THE YEARS ENDED OCTOBER 31, 1999, 1998 AND 1997

(Amounts expressed in United States Dollars)

<S>	Paid-in capital <C>	Accumulated deficit <C>	Total <C>
BALANCE, October 31, 1996	3,500,000	(1,002,623)	2,497,377
Net loss for the year	-	(609,802)	(609,802)
BALANCE, October 31, 1997	3,500,000	(1,612,425)	1,887,575
Net loss for the year	-	(685,853)	(685,853)
BALANCE, October 31, 1998	3,500,000	(2,298,278)	1,201,722
Net loss for the year	-	(474,136)	(474,136)
BALANCE, October 31, 1999	3,500,000	(2,772,414)	727,586

</TABLE>

The accompanying notes are an integral part of these statements.

Shanghai CopyTele Electronics Co., Ltd.

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in United States Dollars ("USD") unless otherwise stated)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Shanghai CopyTele Electronics Co., Ltd. (the "Company") is an equity joint venture registered in the People's Republic of China ("PRC") on May 18, 1995 with an operating period of twenty years. The Company's scope of business consists of the manufacture and sale of multifunctional telecommunications products. The Company commenced its commercial production in February 1997.

The registered capital of the Company is USD 3.5 million. As of October 31, 1999, the joint venture partners and their respective capital contributions to the Company are as follows:

<TABLE>
<CAPTION>

<S> Joint Venture Partner	Country of Incorporation <C>	Percentage of Ownership <C>	Capital Contributed <C>
			USD
CopyTele, Inc.	United States of America	55%	1,925,000

Shanghai Electronic Components Corporation	PRC	35%	1,225,000
Shanghai International Trade and Investment Developing Corp.	PRC	10%	350,000
Total		100%	3,500,000

</TABLE>
Shanghai Electronic Components Corporation has assigned a 30% interest to Shanghai Instrumentation and Electronics Holding Group Company and a 5% interest to Shanghai International Trade and Investment Developing Corp.

As of October 31, 1999, the Company had net current liabilities of approximately USD 1,201,000, and was incurring losses from its operations. The current working capital includes approximately USD 2,459,000 (inclusive of approximately USD 1,574,000 of inventories) of current assets and approximately USD 3,660,000 (inclusive of approximately USD 2,269,000 due to CopyTele, Inc.) of current liabilities. The Company believes that these resources will be sufficient to continue its operations, as presently conducted, after giving effect to anticipated reductions in the Company's requirements for component purchases and reductions in administrative and support personnel, if necessary.

The Company is seeking to improve its liquidity through the sale of products, deferral of repayment of amounts due to CopyTele, Inc., and additional borrowing of bank loans, although there can be no assurance that any of these plans can be implemented at terms that will be favorable to the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements were prepared in accordance with generally accepted accounting principles in United States of America ("US GAAP"). This basis of accounting differs from that used in the statutory accounts prepared in accordance with the accounting principles and the relevant financial regulations applicable to joint venture enterprises as established by the Ministry of Finance of China ("PRC GAAP").

The principal adjustments made to conform the statutory accounts of the Company to US GAAP were:

- Charge the expenses and exchange loss incurred during the pre-operating period, which were capitalized as non-current assets in its statutory accounts, to the statements of operations.

- Write off the technical know-how contributed by CopyTele, Inc. as paid-in capital, which was capitalized as intangible assets in its statutory accounts, to the statements of operations.

The financial statements of the Company were prepared in conformity with US GAAP as if those standards had been consistently applied throughout the years. The following accounting policies were adopted in the preparation of these financial statements:

(a) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand and time deposits with banks and liquid investments with on original maturity of three months or less.

(b) Inventories

Inventories are stated at the lower of cost, calculated using the weighted-average method, and net realizable value.

(c) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the property, plant and equipment, after taking into account an estimated residual value of 10% of cost. The estimated useful lives are as follows:

Buildings	18 years

Machinery and equipment	10 years
Motor vehicles	5 years
Office equipment	5 years

(d) Land Use Right

Land use right is stated at cost less accumulated amortization. Amortization of land use right is provided using the straight-line method over 50 years

(e) Foreign Currency Translations and Balances

The Company maintains its books and accounting records in Renminbi ("RMB"), which is not a freely convertible currency. Transactions in foreign currencies are translated into RMB at the exchange rates prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the exchange rates prevailing at that date. Exchange differences are included in the determination of income.

The management determines that USD is the Company's functional currency. The accounts of the Company are translated into USD as if the Company's books and records had been initially recorded in USD. To accomplish that result, all non-monetary accounts are translated at historical exchange rates between USD and RMB.

(f) Sales Recognition

Sales represent the invoiced value of goods, net of discounts, returns and surtaxes. Sales are recognized upon passing of title to customers.

(g) Taxation

The Company provides for Enterprise Income Tax ("EIT") on the basis of its statutory profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for EIT purposes.

Other taxes are provided in accordance with the prevailing PRC tax regulations.

Deferred taxation is provided under the liability method whereby deferred taxation is recognized for temporary differences using enacted tax rates in effect in the years in which the differences are expected to reverse. Temporary differences are the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(h) Use of estimates

The preparation of financial statements in conformity with US GAAP 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.

3. INVENTORIES

	1999	1998
Raw materials	1,366,773	2,718,262
Work-in-process	173,187	681,982
Finished goods	34,355	167,958
	1,574,315	3,568,202

As discussed in Note 8, the Company relies very heavily on CopyTele, Inc. for its purchase of the Company's products. Therefore, the ultimate realizability of the Company's inventories is dependent on future sale of products to CopyTele, Inc.. During its fiscal years ended October 31, 1999, 1998 and 1997, the Company incurred a gross loss of approximately USD 192,000, USD 189,000 and USD 225,000 respectively for its sales to CopyTele, Inc. Management has recorded the Company's inventories as of October 31, 1999 at cost and a provision to state inventories at their net realizable value has not been made on the basis that sales prices are expected to improve. To date, shipments 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 products below their current carrying value to accomplish certain business strategies, which would require a reduction of such carrying value.

4. PROPERTY, PLANT AND EQUIPMENT

	1999	1998
Buildings	908,101	908,101
Machinery and equipment	951,153	951,153
Motor vehicles	52,971	52,971
Office equipment	184,764	184,764
	2,096,989	2,096,989
Less: Accumulated depreciation	(455,923)	(284,679)
Net	1,641,066	1,812,310

As of October 31, 1999 and 1998, the Company's buildings with net book value of approximately USD 772,000 and USD 815,000 respectively were used as mortgage of short-term bank loans (Note 6).

5. LAND USE RIGHT

	1999	1998
Cost	309,473	309,473
Accumulated amortization	(22,418)	(16,200)
Net	287,055	293,273

All land in the PRC is owned by the state or is subject to collective ownership and neither individuals nor legal entities may own land. The Company acquired the right to use the land on which its factory is located for USD 309,473.

<TABLE>
<CAPTION>

6. SHORT-TERM LOANS

	1999		1998	
	Interest rate per annum	Amount	Interest rate per annum	Amount
<S>	<C>	<C>	<C>	<C>
Bank loans	5.86%-7.13%	999,328	7.69%-8.64%	999,316
Loan from a joint venture partner	5.86%	80,940		-
		1,080,268		999,316

</TABLE>

As of October 31, 1999 and 1998, bank loans were secured by the Company's buildings (Note 4).

Based on the borrowing rates currently available to the Company, the carrying amount of its short-term loans approximated its fair value.

7. TAXATION

(a) Value-Added Tax ("VAT")

The Company is subject to VAT, which is charged on top of the selling price at a general rate of 17%. An input credit is available whereby VAT previously paid on purchases of semi-finished products or raw materials etc. can be used to offset the VAT on sales to determine the net VAT payable.

As the Company was established after January 1, 1994, its exports are "zero-rated" for VAT purpose. Accordingly, subject to the changes described below, the Company charges no VAT on its exports and is entitled to claim a refund for the input tax incurred in respect of these exports.

Pursuant to subsequent tax authority circulars, with effect from July 1, 1995, the Company may no longer recover fully the input tax of its exports. An amount equivalent to "17% minus the applicable refund rate" times the FOB value of the exports will be noncreditable and nonrefundable. As the Company has a "bonded" arrangement with the customs authority and enjoys duty-exemption on its imported materials to be used for producing its exports, the amount of noncreditable and nonrefundable input tax will be "17% minus the applicable refund rate" times "the FOB value of the exports minus the (composite assessable) value of the duty-exempt imported materials matching the exports". This noncreditable and nonrefundable input tax shall be absorbed by the Company as part of the costs of exports. The applicable refund rate is currently 17% (1998: 11%).

(b) Enterprise Income Tax ("EIT")

In accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises", the Company is entitled to full exemption from EIT for the first three years and a 50% reduction for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous years (at most five years).

The tax effects of temporary differences between financial and taxable income that give rise to deferred tax assets are principally related to the following:

<TABLE>
<CAPTION>

	1999	1998
<S>	<C>	<C>
Net operating loss carryforward	702,835	500,218
Income tax basis in excess of financial basis of		
- Pre-operating expenses	48,572	69,971
- Technical know-how	168,213	190,902
Total gross deferred tax assets	919,620	761,091
Less valuation allowance	(919,620)	(761,091)
Net deferred tax assets	-	-

The valuation allowance refers to the portion of the deferred tax assets that are not currently realizable. The realization of these benefits depends upon the Company's income in future years.

</TABLE>

8. RELATED PARTY TRANSACTIONS

The Company relies very heavily on CopyTele, Inc. for its purchase of the Company's products, its supplies to the Company of raw materials and components required for production. For the years ended October 31, 1999, 1998 and 1997, sales to CopyTele, Inc. accounted for 100 per cent of the Company's net sales. The Company purchases most of the required raw materials and imported components through CopyTele, Inc. For the years ended October 31, 1999, 1998 and 1997, purchase of materials and components through CopyTele, Inc. amounted to approximately Nil, USD 168,000 and USD 4,480,000 respectively. Purchase returns to CopyTele, Inc. during the year ended October 31, 1999 amounted to USD 1,467,000 (1998 and 1997: Nil)

The amounts due from/to CopyTele, Inc. arose mainly from the above transactions, are interest-free and have no fixed repayment terms.

9. COMMITMENTS

As of October 31, 1999, the Company had no material rental, capital or other purchase commitments.

10. EMPLOYEES' PENSION PLAN

The Company contributes annually to a government-sponsored pension scheme an amount equivalent to 25.5% of the total basic salary of its employees. This government-sponsored pension scheme will be responsible for payment of the pension liabilities relating to the retirees of the Company. Pension cost, which approximated USD 17,000, USD 37,000 and USD 18,000 for the years ended October 31, 1999, 1998 and 1997 respectively, has been accrued and funded on a current basis.