# SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 10-Q

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

For the quarterly period ended January 31, 1996

Commission file number 0-11254

COPYTELE, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 11-2622630 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. employer identification no.) |
| 900 Walt Whitman Road<br>Huntington Station, NY | 11746 |
| (Address of principal executive offices) | (Zip Code) |

(516) 549-5900

(Registrant's telephone number, including area code)

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

Yes X No ___

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

| | |
|---|---|
| Number of shares of common stock, par value $.01 per share, outstanding as of March 11, 1996 | 26,659,733 shares |

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Part 1 - FINANCIAL INFORMATION

Item 1. Financial Statements.
<TABLE>
<CAPTION>

COPYTELE, INC.

(Development Stage Enterprises)

CONDENSED BALANCE SHEETS (UNAUDITED)

| <S> | January 31, 1996 <C> | October 31, 1995 <C> |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash (including cash equivalents and interest bearing accounts of $10,109,615 and $8,786,210, respectively) | $10,177,938 | $8,864,293 |
| Accrued interest receivable | 23,659 | 36,206 |
| Prepaid expenses and other current assets | 54,767 | 52,451 |
| | 10,256,364 | 8,952,950 |
| PROPERTY AND EQUIPMENT (net of accumulated depreciation and amortization of $709,144 and $690,420, respectively) | 225,083 | 235,201 |
| INVESTMENT IN JOINT VENTURE COMPANY (Note 2) | 826,815 | 349,687 |
| OTHER ASSETS | 157,646 | 157,560 |
| DEFERRED TAX BENEFITS (net of valuation allowance of $17,280,000 and $15,983,000, respectively) | -- | -- |
| | $ 11,465,908 | $ 9,695,398 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 376,376 | $ 218,954 |
| Accrued liabilities | 66,429 | 39,736 |
| | 442,805 | 258,690 |
| SHAREHOLDERS' EQUITY: | | |
| Preferred stock, par value $100 per share; authorized 500,000 shares; no shares outstanding | -- | -- |
| Common stock, par value $.01 per share; authorized 120,000,000 shares; outstanding 26,418,153 and 25,955,103 shares, respectively | 264,182 | 259,551 |
| Additional paid-in capital | 35,045,210 | 32,492,127 |
| Accumulated (deficit) during development stage | (24,286,289) | (23,314,970) |
| | 11,023,103 | 9,436,708 |
| | $ 11,465,908 | $ 9,695,398 |

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

</TABLE>



<TABLE>
<CAPTION>

COPYTELE, INC.

(Development Stage Enterprise)

CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

| <S> | For the three months ended January 31, 1996 <C> | 1995 <C> | For the period from November 5, 1982 (inception) through January 31, 1996 <C> |
|---|---|---|---|
| SALES | $ -- | $ -- | $ -- |

| | | | |
|---|---|---|---|
| SELLING,GENERAL AND ADMINISTRATIVE EXPENSES, including research and development expenses of approximately $767,000, $479,000 and $17,652,000, respectively | 1,088,268 | 740,551 | 27,068,710 |
| INTEREST INCOME | 116,949 | 69,265 | 2,782,421 |
| NET (LOSS) | ($ 971,319) | ($ 671,286) | ($24,286,289) |
| NET (LOSS) PER SHARE OF COMMON STOCK | ($ 0.04) | ($ 0.03) | ($ 1.09) |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING | 26,167,725 | 24,837,403 | 22,230,526 |

<FN>

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

</TABLE>



<TABLE>
<CAPTION>

COPYTELE, INC.

(Development State Enterprise)

CONDENSED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM NOVEMBER 5, 1982 (INCEPTION)

THROUGH JANUARY 31, 1996 (UNAUDITED)

| | Common Stock | | Additional | Accumulated (Deficit) During |
|---|---|---|---|---|
| | Shares | Par Value | Paid-in Capital | 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 | - | - | (362,030) | - |
| Common stock issued, at $12 per share, upon exercise of 57,200 warrants from February 5, 1985 to October 16, 1985, net of registration costs | 57,200 | 572 | 630,845 | - |
| Proceeds from sales of common stock by individuals from January 29, 1985 to October 4, 1985 under agreements with the Company, net of costs incurred by the Company | - | - | 298,745 | - |
| Restatement as of October 31, 1985 for three-for-one stock split | 5,714,400 | 57,144 | (57,144) | - |
| Common stock issued, at $4 per share, upon exercise of 2,800 warrants in December 1985 | 8,400 | 84 | 33,516 | - |
| Sale of common stock, at market, to officers on January 9, 1987 and April 22, 1987 and to members of their immediate families on July 28, 1987 | 67,350 | 674 | 861,726 | - |
| Restatement as of July 31, 1987 for five-for-four stock split | 2,161,735 | 21,617 | (21,617) | - |
| Fractional share payments in conjunction with five-for-four stock split | - | - | (1,345) | - |
| Sale of common stock, at market, to members of officers' immediate families from September 10, 1987 to December 4, 1990 and to officers on October 29, 1987 and February 26, 1989 | 628,040 | 6,280 | 6,124,031 | - |
| Sale of common stock, at market, to senior level personnel on February 26, 1989 | 29,850 | 299 | 499,689 | - |

(continued)

</TABLE>

<TABLE>
<CAPTION>

COPYTELE, INC.

(Development State Enterprise)

CONDENSED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM NOVEMBER 5, 1982 (INCEPTION)

THROUGH JANUARY 31, 1996 (UNAUDITED)

Continued

| <S> | Common Stock Shares <C> | Common Stock Par Value <C> | Additional Paid-in Capital <C> | Accumulated (Deficit) During Development Stage <C> |
|---|---|---|---|---|
| Sale of common stock, at market, to unrelated party on February 26, 1989 amended on March 10, 1989 | 35,820 | 358 | 599,627 | - |
| Restatement as of January 31, 1991 for two-for-one stock split | 11,502,795 | 115,028 | (115,028) | - |
| Sale of common stock, at market, to members of officers' immediate families from April 26, 1991 to October 27, 1992 | 261,453 | 2,614 | 2,788,311 | - |
| Common stock issued upon exercise of warrants by members of officers' immediate families on various dates from September 1993 through January 1996 | 494,720 | 4,948 | 2,322,629 | - |
| Common stock issued upon exercise of stock options from December 16, 1992 to January 31, 1996 under stock option plans, net of registration costs | 2,656,390 | 26,564 | 14,707,495 | - |
| Accumulated (deficit) during development stage | - | - | - | ( 24,286,289) |
| BALANCE, Janaury 31, 1996 | 26,418,153 | $264,182 | $35,045,210 | ($24,286,289) |

<FN>

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

</TABLE>



<TABLE>
<CAPTION>

COPYTELE, INC.

(Development Stage Enterprise)

CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

| <S> | For the three months ended January 31, 1996 <C> | For the three months ended January 31, 1995 <C> | For the period from November 5, 1982 (inception) through January 31, 1996 <C> |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Payments to suppliers, employees and consultants | ($ 879,112) | ($ 627,593) | ($ 26,098,002) |
| Interest received | 129,496 | 64,122 | 2,758,763 |
| Net cash (used in) operating activities | ( 749,616) | ( 563,471) | ( 23,339,239) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Payments for purchases of property and equipment | ( 4,453) | ( 12,079) | ( 934,715) |
| Disbursements to acquire certificates of deposit and corporate notes and bonds | - | - | ( 12,075,191) |
| Proceeds from maturities of investments | - | - | 12,075,191 |
| Investment made in Joint Venture Company | ( 490,000) | - | ( 857,500) |
| Net cash (used in) investing activities | ( 494,453) | ( 12,079) | ( 1,792,215) |

| | | | |
|---|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from sales of common stock and warrants, net of underwriting discounts of $690,000 relating to initial public offering in October 1983 | - | - | 17,647,369 |
| Proceeds from exercise of stock options and warrants, net of registration disbursements | 2,557,714 | - | 17,726,653 |
| 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 | 2,557,714 | - | 35,309,392 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,313,645 | ( 575,550) | 10,177,938 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 8,864,293 | 6,244,801 | - |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $ 10,177,938 | $ 5,669,251 | $ 10,177,938 |

</TABLE>

Continued



<TABLE>
<CAPTION>

COPYTELE, INC.

(Development Stage Enterprise)

CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

Continued

| | For the three months ended January 31, 1996 | 1995 | For the period from November 5, 1982 (inception) through January 31, 1996 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| RECONCILIATION OF NET (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES: | | | |
| Net (loss) | ($ 971,319) | ($ 671,286) | ($ 24,286,289) |
| Pro-rata share of Joint Venture Company losses | 12,872 | - | 30,685 |
| Depreciation and amortization | 18,724 | 14,721 | 713,785 |
| (Increase) Decrease in accrued interest receivable | 12,547 | ( 5,143) | ( 23,659) |
| (Increase) Decrease in prepaid expenses and other current assets | ( 2,316) | 12,377 | ( 54,767) |
| Decrease (Increase) in other assets | ( 86) | ( 5,455) | ( 157,646) |
| Increase (Decrease) in accounts payable and accrued liabilities related to operating activities | 179,962 | 91,315 | 438,652 |
| Net cash (used in) operating activites | ($ 749,616) | ($ 563,471) | ($ 23,339,239) |

<FN>

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

</TABLE>



COPYTELE, INC.

(Development Stage Enterprise)

NOTES TO CONDENSED FINANCIAL STATEMENTS

JANUARY 31, 1996 (UNAUDITED)

(1) Summary of significant accounting policies and other

disclosures:

During 1995, the Company signed a joint venture contract (the "Joint Venture Contract") with Shanghai Electronic Components Corp. ("SECC") to form a joint venture in Shanghai, China with a 20 year duration. With this contract, a joint venture company, Shanghai CopyTele Electronics Co., Ltd., (the "Joint Venture Company" or "Joint Venture") was formed with the Company owning a 55% interest in capital and profits. The remaining 45% is owned by SECC, 35%, and Shanghai International Trade and Investment Developing Corp. ("SIT"), 10% (See Note 2, Investment in Joint Venture). The Company, pursuant to a Technology License Agreement entered into on the same date as the Joint Venture Contract, has licensed its flat panel application technology to the Joint Venture Company for exclusive use in China. It is contemplated that the Joint Venture, in conjunction with the Company and SECC, will develop, manufacture and market products worldwide in the telecommunications field. Reference is made to "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion involving the Joint Venture Contract.

The Company has produced a pre-production multi-functional telecommunications prototype, called "Magicom"TM, that is directed toward the higher end of its potential market. This prototype is a unique telephone based multi-functional telecommunications product incorporating the Company's flat panel and associated proprietary hardware and software technology. The Company believes that the features of the prototype will position the product for the needs of the developing digital information field and various on-line services.

Reference is made to the October 31, 1995 audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1995, for more extensive disclosures than contained in these condensed financial statements.



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

The information for the three month periods ended January 31, 1996 and 1995 and for the period from November 5, 1982 (inception) through January 31, 1996 is unaudited, but in the opinion of the Company, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the results of operations for such periods have been included. The results of operations for interim periods may not necessarily reflect the annual operations of the Company.

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

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

(2) Investment in Joint Venture:

The Company is required to contribute $1,225,000 in cash and technology which has been valued for purposes of the Joint Venture Contract at $700,000. The Joint Venture Company does not reflect the $700,000 in technology as an asset or equity investment in the condensed financial statements presented below. The Company will recognize losses on the Joint Venture to the extent of its cash investment. SECC and SIT will contribute cash aggregating $1,575,000. As of March 11, 1996, the Company and the other parties have contributed cash of $857,500 and $1,102,500, respectively. The balance of the required contributions will be made at such time as the Company, SECC and SIT mutually agree. The Company has reflected its investment in the Joint Venture Company under the equity method of accounting (See Note 1, Summary of significant accounting policies and other disclosures).



Condensed financial information for Shanghai CopyTele Electronics Co., Ltd. at January 31, 1996 and for the three month period ended January 31, 1996:

Condensed Balance Sheet

(Unaudited)

| | |
|---|---|
| Cash | $1,565,116 |
| Land occupancy rights | 309,547 |
| Fixed assets and construction in progress | 80,389 |
| Total Assets | $1,955,052 |
| Accrued expenses | $ 50,842 |
| Capital | 1,904,210 |
| Total Liabilities and Capital | $1,955,052 |

Condensed Statement of Operations

(Unaudited)

| | |
|---|---|
| Net sales | $ - |
| Operating (loss) | ( 26,793) |
| Interest income | 3,390 |
| Net (Loss) | ($ 23,403) |

(3) Stock option plans:

Information regarding the Company's stock option plan, adopted by the Board of Directors on April 1, 1987 (the "1987 Plan"), from October 31, 1995 to January 31, 1996, after adjustments for applicable stock splits, is as follows:

| | Shares | Range of Option Price Per Share |
|---|---|---|
| Shares under option at October 31, 1995 | 884,060 | $ 4.19 - $13.88 |
| Exercised | ( 219,700) | $ 4.19 - $ 8.50 |
| Shares under option at January 31, 1996 | 664,360 | $ 4.19 - $13.88 |

The exercise price with respect to all of the options granted under the 1987 Plan from its inception was at least equal to



the fair market value of the underlying common stock of the Company (the "Common Stock") on the date of grant. As of January 31, 1996, all of the options to purchase shares of Common Stock granted and outstanding under the 1987 Plan were exercisable. Upon the approval of the CopyTele, Inc. 1993 Stock Option Plan (the "1993 Plan") by the Company's shareholders in July 1993, which had been adopted by the Company's Board of Directors on April 28, 1993, the 1987 Plan was terminated with respect to the grant of future options. The 1993 Plan was amended as of May 3, 1995 to, among other things, increase the number of shares of the Company's Common Stock available for issuance pursuant to grants thereunder from 3 million to 7 million.

During February 1996, the Company received proceeds aggregating approximately $225,000 relating to the exercise of options to purchase 40,500 shares of Common Stock pursuant to the 1987 Plan.

Information regarding the 1993 Plan from October 31, 1995 to January 31, 1996 is as follows:

| | Shares | Range of Option Price Per Share |
|---|---|---|
| Shares under option at October 31, 1995 | 4,446,600 | $ 4.88 - $17.00 |
| Granted | 160,000 | $9.50 |
| Exercised | ( 190,150) | $ 4.88 - $ 7.88 |
| Shares under option at January 31, 1996 | 4,416,450 | $ 4.88 - $17.00 |

The exercise price with respect to all of the options granted under the 1993 Plan from its inception was at least equal to the fair market value of the underlying Common Stock on the grant date. As of January 31, 1996, 2,756,450 of the options to purchase shares of Common Stock granted and outstanding under the 1993 Plan were exercisable. At that date, 2,044,000 options were available for future grants under the 1993 Plan.

As of March 11, 1996, 2,790,450 of the options to purchase shares of Common Stock granted and outstanding under the 1993 Plan were exercisable.

During February 1996 and through March 11, 1996, the Company received proceeds aggregating approximately $730,000



relating to the exercise of options to purchase 116,000 shares of Common Stock pursuant to the 1993 Plan.

(4) Warrants to purchase common stock:

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

| | Shares | Current Weighted Average Exercise Price Per Share |
|---|---|---|
| Shares covered by warrants at October 31, 1995 | 426,333 | $7.79 |
| Warrants exercised | ( 53,200) | $3.75 |
| Warrants expired | ( 26,600) | $3.75 |
| Shares covered by warrants at January 31, 1996 | 346,533 | $8.71 |

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

On March 4, 1996, warrants to purchase 85,080 shares of Common Stock were exercised at an exercise price of $3.875 per share.



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

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

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

### Results of Operations

Selling, general and administrative expenses for the three month periods ended January 31, 1996 and 1995 and for the period from November 5, 1982 (inception) through January 31, 1996 were $1,088,268, $740,551 and $27,068,710, respectively. These amounts include research, development and tooling costs of approximately $767,000, $479,000 and $17,652,000, respectively, as well as normal operating expenses. The increase in selling, general and administrative expenses during the three months ended January 31, 1996 as compared to the same period ended in 1995 resulted primarily from increases in expenditures for engineering supplies and services necessitated by the present phase of the Company's development program and related activities. Professional fees increased during the fiscal 1996 period, especially patent application preparation and filing fees, offset somewhat by a decrease in legal fees, primarily associated with the Joint Venture. Other expense catagories, to a lesser extent, also increased for the fiscal 1996 period also as a result of the Company's present phase of development and related activities. The three month period ended January 31, 1996 also includes the Company's portion of the Joint Venture Company's loss for the same period.

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

The increase in interest income during the three months ended January 31, 1996 as compared to the same period ended in 1995 primarily resulted from an increase in funds available for investment and to a lesser extent, slightly higher interest rates. Funds available for investment during the three month periods ended January 31, 1996 and 1995, on a monthly weighted average basis, were approximately $9,377,000 and $5,870,000 respectively. The investment instruments selected by the Company are principally money market accounts, treasury bills and commercial paper.

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

Liquidity and Capital Resources
- -------------------------------

Since its inception, the Company has met its liquidity and capital expenditure needs primarily from the proceeds of the sales of Common Stock in its initial public offering, in private placements, upon exercise of warrants issued in connection with the private placements and public offering, and upon exercise of stock options pursuant to the 1987 Plan and the 1993 Plan.

During February 1996 and through March 11, 1996, the Company received additional proceeds aggregating approximately $225,000 relating to the exercise of options to purchase 40,500 shares of Common Stock under the 1987 Plan. During the same periods, the Company received additional proceeds aggregating approximately $730,000 relating to the exercise of options to purchase 116,000 shares of Common Stock under the 1993 Plan. On March 4, 1996, the



Company received additional proceeds aggregating approximately $330,000 relating to the exercise of warrants.

The Company believes that even without sales it will have sufficient funds into the second quarter of fiscal 1998 to maintain its present level of development efforts, and to make the balance of its initial capital contributions to the Joint Venture Company of approximately $367,500 of its total initial capital contribution of approximately $1.2 million. The Company anticipates that it may require additional funds in order to participate in the Joint Venture following its initial capital contributions and to continue its research and development activities. The Company's estimated funding capacity indicated above assumes, although there is no assurance, that the waiver of salary and pension benefits by the Chairman of the Board, the President and senior level personnel will continue.

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

The Joint Venture Contract contemplates an initial investment of $7 million, of which half may be borrowed from banks, and a registered capital of $3.5 million. The Company is required to contribute $1,225,000 in cash and SECC and SIT are required to contribute $1,575,000 in cash to the Joint Venture. The Company currently has no plans with respect to additional financing. There can be no assurance that adequate funds will be available to the Company or the Joint Venture, including the Company's required capital contributions (beyond its initial capital contributions of $1,225,000) and its NASD funding requirements, or that, if available, the Company or the Joint Venture will be able to obtain such funds on favorable terms and conditions.

See "Business" and Note 1 to the Company's Financial Statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1995 for discussions regarding uncertainties that may significantly affect future liquidity and capital resources.



## PART II - OTHER INFORMATION

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

(a) Exhibits

27 - Financial Data Schedule

(b) Reports on Form 8-K.

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



## SIGNATURES

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

CopyTele, Inc.

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

March 14, 1996

FRANK J. DISANTO
Frank J. DiSanto
President and Director

March 14, 1996

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

March 14, 1996



## EXHIBIT INDEX

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

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

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

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| <INCOME-CONTINUING> | (971,319) |
| <DISCONTINUED> | 0 |
| <EXTRAORDINARY> | 0 |
| <CHANGES> | 0 |
| <NET-INCOME> | (971,319) |
| <EPS-PRIMARY> | (.04) |
| <EPS-DILUTED> | 0 |

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