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, 2003

Commission file number 0-11254

COPYTELE, INC.

(Exact name of registrant as specified in its charter)

Delaware	11-2622630
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification no.)

900 Walt Whitman Road Melville, NY	11747
(Address of principal executive offices)	(Zip Code)

(631) 549-5900

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes No X

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

On March 10, 2003, the registrant had outstanding 73,210,635 shares of Common Stock, par value $.01 per share, which is the registrant's only class of common stock.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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COPYTELE, INC.
CONDENSED BALANCE SHEETS

ASSETS	(Unaudited) January 31, 2003	October 31, 2002
CURRENT ASSETS:		
<S>	<C>	<C>
Cash and cash equivalents	$ 602,943	$ 854,822
Accounts receivable, net of allowance for doubtful accounts of $316,655 and $325,505, respectively	140,042	77,780
Other receivables	322,952	322,952
Inventories	1,169,756	1,296,199
Prepaid expenses and other current assets	127,608	102,519
Total current assets	2,363,301	2,654,272
PROPERTY AND EQUIPMENT, net	61,462	71,583
OTHER ASSETS	5,509	5,654
	$ 2,430,272	$ 2,731,509
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 410,629	$ 379,169
Accrued liabilities	51,003	34,850
Total current liabilities	461,632	414,019
SHAREHOLDERS' EQUITY:		
Preferred stock, par value $100 per share; 500,000 shares authorized; no shares issued or outstanding	-	-
Common stock, par value $.01 per share; 240,000,000 shares authorized; 72,433,870 and 70,257,155 shares issued and outstanding, respectively	724,339	702,572
Additional paid-in capital	64,030,192	63,596,213
Accumulated deficit	(62,785,891)	(61,981,295)
	1,968,640	2,317,490
	$ 2,430,272	$ 2,731,509

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

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COPYTELE, INC.
CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

	For the three months ended January 31, 2003	For the three months ended January 31, 2002
<S>	<C>	<C>
REVENUE	$ 91,339	$ 1,277,189
COST OF REVENUE	62,025	426,276

Gross profit	29,314	850,913
OPERATING EXPENSES		
Research and development expenses	491,627	293,411
Selling, general and administrative expenses	343,952	501,796
Total operating expenses	835,579	795,207
INCOME (LOSS) FROM OPERATIONS	(806,265)	55,706
INTEREST INCOME	1,669	4,601
NET INCOME (LOSS)	$ (804,596)	$ 60,307
PER SHARE INFORMATION:		
Net income (loss) per share:		
Basic	$ (0.01)	$ 0.00
Diluted	$ (0.01)	$ 0.00
Shares used in computing net income (loss) per share:		
Basic	71,048,761	66,950,508
Diluted	71,048,761	67,269,479

The accompanying notes are an integral part of these condensed statements.
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COPYTELE, INC.
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the three months ended January 31,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
<S>	<C>	<C>
Payments to suppliers, employees and consultants	$ (309,797)	$(1,119,580)
Cash received from customers	22,049	278,081
Cash received from collaborative agreements	-	3,000,000
Interest received	1,669	4,601
Net cash (used in) provided by operating activities	(286,079)	2,163,102
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property and equipment	-	(25,018)
Net cash (used in) investing activities	-	(25,018)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options, net of registration costs	34,200	-
Net cash provided by financing activities	34,200	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(251,879)	2,138,084
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	854,822	1,316,860
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 602,943	$ 3,454,944
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net income (loss)	$ (804,596)	$ 60,307
Stock awards granted to employees and consultants pursuant to stock incentive plans	421,546	396,593
Provision for doubtful accounts	7,028	(60,000)
Depreciation and amortization	10,121	23,916
Change in operating assets and liabilities:		
Accounts receivable and other receivables	(69,290)	33,892
Inventories	126,443	91,969
Prepaid expenses and other current assets	(25,089)	(101,669)
Other assets	145	436
Accounts payable and accrued liabilities	47,613	(249,342)
Deferred revenue	-	1,967,000

Net cash provided by (used in) operating activities	$ (286,079)	$ 2,163,102

The accompanying notes are an integral part of these condensed statements.
</TABLE>

COPYTELE, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

1. NATURE AND DEVELOPMENT OF BUSINESSAND FUNDING

Organization and Basis of Presentation

CopyTele, Inc. was incorporated on November 5, 1982. Our principal operations include the development of a full-color flat panel video display and the development, production and marketing of multi-functional encryption products that provide information security for domestic and international users over virtually every communications media.

The condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial reporting. Accordingly, they do not include all of the information and footnotes required by US GAAP for complete financial statements. The information contained herein is for the three-month periods ended January 31, 2003 and 2002. In management's opinion, all adjustments (consisting only of normal recurring adjustments considered necessary for a fair presentation of the results of operations for such periods) have been included herein.

The results of operations for interim periods may not necessarily reflect the results of operations for a full year. Reference is made to the audited financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2002, for more extensive disclosures than contained in these condensed financial statements.

Products and Key Relationships

Our line of hardware-based encryption products are multi-functional, digital encryption systems that provide high-grade encryption using either the Citadel(TM) CCX encryption cryptographic chip (which is manufactured by the Harris Corporation) or the Triple DES or the new Advanced Encryption Standard ("AES") algorithm (algorithms available in the public domain which are used by many U.S. government agencies). We have also developed a software security product, using either the Triple DES or the AES algorithm, for the encryption of data files and e-mail attachments in both desktop and laptop computers utilizing Windows operating systems. We are continuing our research and development activities for additional encryption products. We sell our encryption products primarily through a distributor/dealer network and to end-users, and recently we also began working with large organizations that are adding security products to their existing product lines.

We are also continuing our research and development activities with respect to flat panel display technologies, including our thin flat video color display ("Field Emission Display" or "FED"). Using our planar edge emission technology, with the assistance of Volga Svet, Ltd. ("Volga") and together with Futaba Corporation ("Futaba") pursuant to agreements with Volga and Futaba described in Note 3, we have developed a 3-inch (diagonal) engineering model of a full-color

video FED and subsequently with Volga we developed a 5-inch (diagonal) monochrome video FED. We have also worked with Volga to improve our display technology, developing technology that results in substantially higher brightness than conventional CRTs and LCD or plasma flat panel displays. Together with Volga, we have incorporated this high brightness technology into engineering models of 3.7-inch (diagonal) and 5-inch (diagonal) monochrome video displays. We believe that smaller and larger displays can be made with this technology.

Funding and Management's Plans

From our inception through June 2001, we had met our liquidity and capital expenditure needs primarily through the proceeds from sales of 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. Commencing in the fourth quarter of fiscal 1999, we began to generate cash flows from sales of our encryption products, and, from June 2001 to January 2002, we received development payments from Futaba.

During the three months ended January 31, 2003, our operating activities used approximately $286,000 in cash. This resulted from payments to suppliers, employees and consultants of approximately $310,000, which was offset by cash of approximately $22,000 received from collections of accounts receivable related to sales of encryption products and approximately $2,000 of interest income received. In addition, we received approximately $34,000 in cash upon the exercise of stock options. As a result, our cash and cash equivalents at January 31, 2003 decreased to approximately $603,000 from approximately $855,000 at the end of fiscal 2002.

The auditor's report on our financial statements as of October 31, 2002 states that the net loss incurred during the year ended October 31, 2002, our accumulated deficit as of that date, and the other factors described in Note 1 to the Financial Statements included in our Annual Report on Form 10-K for the year ended October 31, 2002, raise substantial doubt about our ability to continue as a going concern. Our financial statements have been prepared assuming we will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

Based on reductions in operating expenses that have been made and additional reductions that may be implemented, if necessary, we believe that our existing cash and accounts receivable, together with cash flows from expected sales of encryption products and flat panel displays, and other potential sources of cash flows, will be sufficient to enable us to continue in operation until at least the end of the first quarter of fiscal 2004. However, our projections of future cash needs and cash flows may differ from actual results. We are seeking to improve our liquidity through increased sales or license of products and technology and may also seek to improve our liquidity through sales of debt or equity securities. Despite the foregoing, there can be no assurance that we will generate significant revenues in the future (through sales or otherwise) to improve our liquidity, that we will generate sufficient revenues to sustain future operations and/or profitability, that we will be able to expand our current distributor/dealer network, that production capabilities will be adequate, or that other products will not be produced by other companies that will render our products obsolete, or that other sources of funding would be available, if needed, at terms that we would deem favorable. We have engaged a firm as an investment advisor and placement agent in connection with an anticipated private placement of equity securities. The sale of additional equity securities or convertible debt could result in dilution to our stockholders. We can give you no assurance that funds will be available to us

from this equity financing or that, if available, we will be able to obtain such funds on favorable terms and conditions.

Our common stock is listed on The Nasdaq SmallCap Market. To maintain that listing, Nasdaq requires, among other things, that our stock maintain a minimum closing bid of at least $1 per share and that we maintain either stockholders' equity of $2,500,000, or market capitalization of $35,000,000, or net income in the last complete fiscal year of $500,000. Our stockholders' equity as of January 31, 2003 was approximately $1,969,000. The closing bid price of our common stock has been below $1 since February 12, 2001. In August 2002, Nasdaq notified us that our common stock is subject to delisting if the bid price of our common stock failed to close at $1 per share or more for a minimum of 10 consecutive trading days prior to February 10, 2003. We did not achieve such minimum closing bid price requirement by February 10, 2003. We have requested that Nasdaq grant us an additional grace period to regain compliance with the minimum bid price and the minimum stockholders' equity requirements. There can be no assurance that Nasdaq will grant us any additional grace periods. A delisting of our common stock could have an adverse affect on the market price and liquidity of our common stock.

2. IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In August 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations". SFAS No. 143 requires the fair value of a liability for an asset retirement obligation to be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The adoption of SFAS No. 143 had no effect on our financial position or results of operations.

In October 2001, the FASB issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 requires that long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001 and, generally, is to be applied prospectively. The adoption of SFAS No. 144 had no effect on our financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". SFAS No. 145 eliminates the current requirement that gains and losses on debt extinguishment must be classified as extraordinary items in the income statement. Instead, such gains and losses will be classified as extraordinary items only if they are deemed to be unusual and infrequent, in accordance with the current criteria for extraordinary classification. In addition, SFAS No.145 eliminates an inconsistency in lease accounting by requiring that modifications of capital leases that result in reclassification as operating leases be accounted for consistent with sale-leaseback accounting rules. SFAS No. 145 also contains other nonsubstantive corrections to authoritative accounting literature. The changes related to debt extinguishment will be effective for fiscal years beginning after May 15, 2002, and the changes related to lease accounting will be effective for transactions occurring after May 15, 2002. The adoption of SFAS No. 145 has not had and is not expected to have a material effect on our financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities", which addresses accounting for restructuring and similar costs. SFAS No. 146 supersedes previous accounting guidance, principally Emerging Issues Task Force (EITF) Issue No. 94-3. SFAS No. 146 requires that the liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF No. 94-3, a liability for an exit cost was recognized at the date of a company's commitment to an exit plan. SFAS No. 146 also establishes that the liability should initially be measured and recorded at fair value. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS No. 146 had no effect on our financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" which addresses financial accounting and reporting for recording expenses for the fair value of stock options. SFAS 148 provides alternative methods of transition for a voluntary change to fair value based method of accounting for stock-based employee compensation. Additionally, SFAS 148 requires more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. The provisions of this Statement are effective for fiscal years ending after December 15, 2002, with early application permitted in certain circumstances. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. We do not believe the adoption of SFAS No. 148 will have a material effect on our financial position or results of operations.

3. COLLABORATIVE AGREEMENT

From June 2001 until June 2002, we worked with Futaba under a Joint Cooperating Agreement for Field Emission Displays (the "Futaba Agreement") to jointly develop and commercialize a full-color video display utilizing our Field Emission Display technology. After extensive negotiations, we were unable to reach agreement with Futaba with respect to the terms of continuing our joint efforts to develop and commercialize our Field Emission Display technology, and on June 4, 2002 we received notification from Futaba terminating the Futaba Agreement. We have no further performance obligations with respect to this agreement. We are now evaluating our options for further developing and commercializing our technology.

In June 2001, we received the initial $2,500,000 payment provided for by the Futaba Agreement for the first phase of development ("Phase I") of a prototype for a 320 x 240 pixel, 5-inch diagonal display. During Phase I, which was contractually defined as a one-year period, we were primarily responsible for developing prototypes of the display and providing the required fabrication, to enable Futaba to utilize its know-how and production facilities for the possible mass production of the display. The Futaba Agreement further provided for negotiations between the parties during the first six months of the Futaba Agreement regarding potential additional payments to us for partial compensation for use of our technology developed prior to entering into the Futaba Agreement. In accordance with this provision, in January 2002, we received an additional payment of $3,000,000 relating to Phase I.

Additionally, in 1997, we entered into an agreement with Volga (the "Volga Agreement") for certain development efforts in connection with the FED technology. Under an amendment to this agreement in May 2001, we agreed to pay Volga the sum of $180,000 per quarter for its development work during a one-year

period, which was paid in full as of April 30, 2002. In connection with the additional $3,000,000 payment received from Futaba, we entered into a letter agreement, effective as of February 1, 2002, to pay Volga a total of $750,000 (payable during the three months ended April 30, 2002 and July 31, 2002, in the amounts of $450,000 and $300,000, respectively) to continue development under Phase I of the Futaba Agreement.

4. BARTER TRANSACTION AND ASSOCIATED IMPAIRMENT

In August 2000, we entered into a nonmonetary barter transaction in which we sold $3,000,000 of certain inventory in exchange for an equal value of commercial trade credits. In accordance with APB No. 29, "Accounting for Non-Monetary Transactions," we recognized no gain or loss on the transaction as it was management's opinion that this exchange was effected at fair market value. These trade credits may be redeemed to reduce the cost of advertising as well as other products and services. As is typical of such arrangements, to utilize barter credits we must pay a certain percentage of the advertising or other expense in cash. In accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," we continually evaluated the carrying amount of this asset, which was included in "Other assets", for any potential impairment.

Unused barter credits at May 1, 2002 aggregated approximately $2,821,000. To utilize these barter credits in exchange for advertising and purchase discounts, we must pay between 65-70% of the transaction value in cash. Because our anticipated cash flow has been negatively affected by the termination of the Futaba Agreement, our ability to make such payments and thereby utilize the barter credits is uncertain. Therefore, during the three months ended July 31, 2002, we wrote off all unused barter credits, thereby recognizing an impairment loss in the amount of approximately $2,821,000. This impairment loss relates to our Encryption Products Segment.

5. OTHER RECEIVABLES

In May and June 2002, we received restricted common stock from a customer in connection with an outstanding accounts receivable balance of approximately $323,000. We anticipate settling this accounts receivable balance through the sale of the restricted common stock. This customer has agreed with us to cure any deficiency between the proceeds from the sale of the restricted common stock and the balance of the outstanding accounts receivable balance. In addition, the customer's principal shareholder has personally agreed to cure any deficiency in the event that the customer defaults on its agreement to cure such deficiency, up to $292,000.

6. INVENTORIES

Inventories consist of the following as of:

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	January 31, 2003	October 31, 2002
Component parts	$ 358,520	$ 385,538
Work-in-process	39,548	44,105
Finished products	771,688	866,556
	$ 1,169,756	$ 1,296,199

</TABLE>

7. STOCK INCENTIVE PLANS

During the three-month periods ended January 31, 2003 and 2002, we issued 1,439,585 shares and 784,950 shares, respectively, of common stock to certain employees for services rendered, principally in lieu of cash compensation, pursuant to the CopyTele, Inc. 2000 Share Incentive Plan (the "2000 Share Plan"). In addition during the three months ended January 31, 2003 and 2002, we issued 547,130 shares and 15,000 shares, respectively, of common stock to consultants for services rendered pursuant to the 2000 Share Plan. The weighted-average fair value per share of the common stock issued was $0.21 and $0.50 during the three-month periods ended January 31, 2003 and 2002, respectively.

During the three-month periods ended January 31, 2003 and 2002, we granted to employees options to purchase 190,000 shares and 0 shares, respectively, pursuant to the 2000 Share Plan. During the three-month period ended January 31, 2003, 190,000 stock options were exercised, with aggregate proceeds of $34,200.

8. NET INCOME (LOSS) PER SHARE OF COMMON STOCK

We comply with the provisions of SFAS No. 128, "Earnings Per Share." In accordance with SFAS No. 128, basic net income (loss) per common share ("Basic EPS") is computed by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted net income (loss) per common share ("Diluted EPS") is computed by dividing net income (loss) by the weighted average number of common shares and dilutive common share equivalents and convertible securities then outstanding. Diluted EPS for the three months ended January 31, 2003 is the same as Basic EPS, as the inclusion of the effect of common stock equivalents then outstanding would be anti-dilutive. Excluded from the calculation of Diluted EPS for the three-month periods ended January 31, 2003 and 2002 were options to purchase 14,660,776 shares and 13,482,246 shares, respectively. Also excluded from the calculation of Diluted EPS for the three-month period ended January 31, 2002 were warrants to purchase 153,250 shares.

The following table sets forth the computation of net income (loss) per share of common stock:
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	Three-months ended	
	January 31, 2003	January 31, 2002
Net income (loss)	$ (804,596)	$60,307
Shares used in computing net income (loss) per share:		
Basic	71,048,761	66,950,508
Effect of stock options and warrants	-	318,971
Diluted	71,048,761	67,269,479
Net income (loss) per share:		
Basic	$ (0.01)	$0.00
Diluted	$ (0.01)	$0.00

</TABLE>

9. SEGMENT INFORMATION

We follow the provisions of SFAS No. 131,"Disclosures about Segments of an Enterprise and Related Information." Reportable operating segments are determined based on management `s approach. The management approach, as defined by SFAS No. 131, is based on the way that the chief operating decision-maker organizes the segments within an enterprise for making operating decisions and assessing performance. While our results of operations are primarily reviewed on a consolidated basis, the chief operating decision-maker also manages the enterprise in two segments: (i) Flat-panel display and (ii) Encryption products. The following represents selected financial information for our segments for the three-month periods ended January 31, 2003 and 2002:

Segment Data	Flat-Panel Display	Encryption Products	Total
Three Months Ended January 31, 2003:			
Revenue	$ -	$ 91,339	$ 91,339
Net loss	(363,475)	(441,121)	(804,596)
Three Months Ended January 31, 2002:			
Revenue	$ 1,033,000	$ 244,189	$ 1,277,189
Net income (loss)	660,139	(599,832)	60,307

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

Forward-Looking Statements

Information included in this Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical facts, but rather reflect our current expectations concerning future events and results. We generally use the words "believes," "expects," "intends," "plans," "anticipates," "likely," "will" and similar expressions to identify forward-looking statements. Such forward-looking statements, including those concerning our expectations, involve risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. These risks, uncertainties and factors include, but are not limited to, those factors set forth in "General Risks and Uncertainties" below and Note 1 to Condensed Financial Statements. You should read the following discussion and analysis along with our Annual Report on Form 10-K for the year ended October 31, 2002 and the condensed financial statements included in this Report. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this Report.

GENERAL

CopyTele, Inc. was incorporated on November 5, 1982. Our principal operations include the development of a full-color flat panel video display and the development, production and marketing of multi-functional encryption products that provide information security for domestic and international users over virtually every communications media.

Our line of hardware encryption products presently includes the USS-900, the DCS-1200, the DCS-1400, the STS-1500 and the ULP-1. These encryption products are multi-functional, hardware-based digital encryption systems that provide high-grade encryption using either the Citadel(TM) CCX encryption cryptographic chip (which is manufactured by the Harris Corporation) or the Triple DES or the new AES algorithm (algorithms available in the public domain which are used by many U.S. government agencies). We have also developed the USS-900 Security Software, a software security product, using either the Triple DES or the AES algorithm, for the encryption of data files and e-mail attachments in both desktop and laptop computers utilizing Windows operating systems. We are continuing our research and development activities for additional encryption products.

We are currently using several U.S.-based electronic production contractors to produce the components for our encryption devices. We sell our products primarily through a distributor/dealer network and also to end-users, and recently we also began working with large organizations that are adding security products to their existing product lines.

We are also continuing our research and development activities with respect to flat panel display technologies, including our thin flat video color display ("Field Emission Display" or "FED").

Using our planar edge emission technology, we have developed engineering operational models of monochrome and full-color video Field Emission Displays. We believe that our display:

- -- can be produced in a variety of sizes, permitting its use for any application from hand-held to HDTV devices;
- -- can function in a broad environmental range, similar to a CRT;
- -- has low power consumption requirements;
- -- can be viewed from a wide angle, similar to a CRT; and
- -- has high brightness with full color video capability.

From June 2001 until June 2002, we worked with Futaba Corporation ("Futaba") under a Joint Cooperation Agreement for Field Emission Displays (the "Futaba Agreement") to jointly develop and commercialize a full-color video display utilizing our Field Emission Display technology. During that period, with the additional assistance of Volga Svet, Ltd. ("Volga") pursuant to an agreement with Volga (the "Volga Agreement"), we developed a 3-inch (diagonal) engineering model of a full color video FED. Since June 2002, working with Volga under the Volga Agreement, we have developed additional engineering models using the technology, including a 5-inch (diagonal) monochrome video FED. We have also worked with Volga to improve our display technology, developing technology that results in substantially higher brightness than conventional CRTs and LCD or plasma flat panel displays. Together with Volga, we have incorporated this high brightness technology into engineering models of 3.7-inch (diagonal) and 5-inch (diagonal) monochrome video displays. We have recently received, from the U.S. patent office, a notice of allowance of the claims contained in our patent application for three variations of our FED technology.

Using these engineering models, we have begun discussing commercial production of our displays with potential purchasers for incorporation into their products. We have made arrangements with Volga for Volga to produce up to 5-inch (diagonal) high brightness displays using its current production facilities and are working with a potential purchaser to incorporate our display into the purchaser's portable product. We have also received a letter of intent from a large U.S. company to provide larger, color displays for certain of its products. This letter of intent requires, among other things, that we develop technology for our displays that we are able to commercially produce and that the displays meet certain technical specifications and price and market conditions. Volga will also need to upgrade its production facilities to meet the requirements of the letter of intent, and will need to obtain financing for that upgrade. There can be no assurance that we can produce such displays, that these purchasers will purchase any displays from us, or of the revenue we might derive from such sales.

CRITICAL ACCOUNTING POLICES

Our financial statements are prepared in conformity with accounting principles generally accepted in the United State of America. As such, we are required to make certain estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods.

We believe the following critical accounting polices affect the more significant judgments and estimates used in the preparation of our financial statements. For additional discussion on the application of these and other accounting polices, refer to the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended October 31, 2002.

Revenue Recognition

Product Sales

Revenues from product sales are recorded when all four of the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) our price to the buyer is fixed or determinable; and (iv) collectibility is reasonably assured.

Collaborative Agreement

The initial $2.5 million payment from Futaba pursuant to the Futaba Agreement has been recognized ratably over the contractually defined one-year period of our commitment under this portion of the agreement. The $3 million payment received from Futaba under this agreement, during the three months ended January 31, 2002, has been recognized ratably over the remaining term of the one-year period.

Sales Returns and Allowances

Revenues are recorded net of sales returns. There were no sales returns during the three-month periods ended January 31, 2003 and 2002.

Deferred Revenue

Payments received from Futaba under the Futaba Agreement, which are in excess of the amounts recognized as revenue are recorded as deferred revenue. As of July 31, 2002, all payments received from Futaba have been recognized as revenue.

Inventories

Inventories are stated at the lower of cost, including material, labor and overhead, determined on a first-in, first-out basis, or market, which represents our best estimate of market value. We regularly review inventory quantities on hand, particularly finished goods, and record a provision for excess and obsolete inventory based primarily on forecasts of future product demand. Our net income is directly affected by management's estimate of the realizability of inventories.

Valuation of Long-Lived Assets

We assess the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include a significant underperformance relative to expected historical or projected future operating results and cash flows, a significant change in the manner of the use

of the asset or a significant negative industry or economic trend. When management determines that the carrying value of long-lived asset may not be recoverable based upon the existence of one or more of the above indicators of impairment, the carrying amount of the asset would be written down to fair value based upon the present value of estimated future cash flows, to reflect the impairment.

During the three months ended July 31, 2002, we recognized an impairment loss in the amount of approximately $2,821,000 in connection with unused commercial trade barter credits. These trade credits may be redeemed to reduce the cost of advertising as well as other products and services. To utilize these barter credits in exchange for advertising and purchase discounts, we must pay between 65-70% of the transaction value in cash. Because our anticipated cash flow has been negatively affected by the termination of the Futaba Agreement, our ability to make such payments and thereby utilize the barter credits is uncertain.

Stock Based Compensation

We account for stock options granted to employees using the intrinsic value method prescribed in APB Opinion No. 25 "Accounting for Stock Issued to Employees" and comply with the disclosure provision of SFAS No. 123 "Accounting for Stock Based Compensation". If we were to include the cost of employee stock option compensation in the financial statements, our operating results would decline based on the fair value of the stock options granted to employees.

RESULTS OF OPERATIONS

Three months ended January 31, 2003 compared with three months ended January 31, 2002

Product Sales

Revenue

Revenue from product sales decreased by approximately $153,000, to approximately $91,000 in the three-month period ended January 31, 2003, from approximately $244,000 in the comparable prior-year period. All product sales are encryption products and are net of sales returns. Our product sales have been limited and are sensitive to individual large transactions. We believe that changes in product sales between periods generally represent the nature of the early stage of our product and sales channel development.

Gross Profit

Gross profit from product sales decreased by approximately $54,000 in the three months ended January 31, 2003, to approximately $29,000, compared to approximately $83,000 in the comparable prior-year period. Gross profit from product sales as a percentage of revenue decreased to approximately 32% in the three-month period ended January 31, 2003, compared to approximately 34% in the comparable prior-year period.

Collaborative Agreement

Revenue

We recognized no collaborative agreement revenue in the three months ended January 31, 2003, as compared to approximately $1,033,000 in the comparable prior-year period. All collaborative agreement revenue is revenue received from Futaba under the Futaba Agreement. We recognized payments received from Futaba as income ratably over the contractually defined one-year period of our commitment under this portion of the Futaba Agreement. As Futaba has terminated the Futaba Agreement, we do not anticipate receiving any further revenue under the Futaba Agreement.

Gross Profit

We recognized no gross profit from collaborative agreement in the three months ended January 31, 2003, as compared to approximately $768,000 in the three months ended January 31, 2002. Gross profit from collaborative agreement in the three months ended January 31, 2002 was net of cost of revenue of approximately $265,000, consisting of research and development costs relating to FED technology, including cost of revenue related to the Volga Agreement of approximately $180,000. Research and development costs relating to FED technology were included in research and development expenses prior to the commencement of the Futaba Agreement in June 2001 and after its termination in June 2002.

Research and Development Expenses

Research and development expenses increased by approximately $199,000 in the three months ended January 31, 2003, to approximately $492,000, from approximately $293,000 in the comparable prior-year period. The increase in research and development expenses reflects the classification of development efforts related to FED technology during the term of the Futaba Agreement as costs of revenue rather than as research and development expenses. In addition, non-employee consultant expense increased by approximately $102,000 and patent related expenses increased by approximately $44,000, offset by a decrease in employee compensation and related costs of approximately $42,000.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by approximately $158,000 to approximately $344,000 in the three months ended January 31, 2003 from approximately $502,000 in the comparable prior-year period. The decrease in selling, general and administrative expenses reflects a decrease in professional fees of approximately $107,000, a decrease in employee compensation and related costs of approximately $73,000 and the receipt of proceeds from the settlement of a property insurance claim of approximately $62,000 net of expenses, offset by an increase in advertising expense of approximately $30,000 and the recovery in the prior-year period of a previously recorded bad debt charge of approximately $60,000.

Interest Income

The decrease in interest income in the three months ended January 31, 2003 to approximately $2,000 from approximately $5,000 in the comparable prior-year period resulted primarily from the decrease in average funds available for investment.

LIQUIDITY AND CAPITAL RESOURCES

From our inception through June 2001, we met our liquidity and capital expenditure needs primarily through the proceeds from sales of 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. Commencing in the fourth quarter of fiscal 1999, we also began to generate cash from sales of our encryption products, and, from June 2001 to January 2002, we received development payments from Futaba under the Futaba Agreement.

In June 2001, we received the initial $2,500,000 payment provided for by the Futaba Agreement for the first phase of development of a prototype for a 320 x 240 pixel, 5-inch diagonal display having numerous advanced features, including wide viewing angle, low power consumption, high-resolution and an ultra-bright screen. The Futaba Agreement further provided for negotiations between the parties regarding additional compensation to us for the use of our technology developed prior to entering into the Futaba Agreement. In January 2002, Futaba paid us an additional $3,000,000 as partial compensation for the use of this technology.

We agreed to pay Volga the sum of $180,000 per quarter for its development work during the first year of the Volga Agreement, which was paid in full as of April 30, 2002. Volga is required to grant us licenses for background technology, and for technology developed under the Volga Agreement, upon the payment of amounts to be negotiated between the parties, which may include the payment of royalties based on sales of products resulting from the development activities under the Volga Agreement. We entered into a letter agreement with Volga, effective as of February 1, 2002, to pay Volga a total of $750,000 in connection with the $3,000,000 we received from Futaba in January 2002. The $750,000 was payable in installments over a five-month period ending in June 2002. The funds received by Volga are required to be used primarily for research and development and for purchasing facilities and production areas for FED technology.

During the three months ended January 31, 2003, our operating activities used approximately $286,000 in cash. This resulted from payments to suppliers, employees and consultants of approximately $310,000, which was offset by cash of approximately $22,000 received from collections of accounts receivable related to sales of encryption products and approximately $2,000 of interest income received. In addition, we received approximately $34,000 in cash upon the exercise of stock options. As a result, our cash and cash equivalents at January 31, 2003 decreased to approximately $603,000 from approximately $855,000 at the end of fiscal 2002.

Accounts receivable and other receivables increased by approximately $62,000 from approximately $401,000 at the end of fiscal 2002 to approximately $463,000 at January 31, 2003. The increase in accounts receivable is a result of the timing of collections offset by an increase in the provision for doubtful accounts. Inventories decreased approximately $126,000 from approximately $1,296,000 at October 31, 2002 to approximately $1,170,000 at January 31, 2003,

as a result of the timing of shipments and production schedules as well as a write down of Magicom inventory of approximately $55,000. We discontinued production of Magicom products in fiscal 2000, but continue to sell our remaining inventory. Prepaid expenses and other current assets increased by approximately $25,000 from approximately $103,000 at the end of fiscal 2002 to approximately $128,000 at January 31, 2003. Accounts payable and accrued liabilities increased by approximately $48,000 from approximately $414,000 at the end of fiscal 2002 to approximately $462,000 at January 31, 2003, as a result of the timing of payments.

As a result of these changes, working capital at January 31, 2003 decreased to approximately $1,902,000 from approximately $2,240,000 at the end of fiscal 2002.

Our working capital includes inventory of approximately $1,170,000 at January 31, 2003. Management has recorded our inventory at the lower of cost or our current best estimate of net realizable value. To date, sales of our products have been limited. Accordingly, there can be no assurance that we will not be required to reduce the selling price of our inventory below our current carrying value.

Unused barter credits at May 1, 2002 aggregated approximately $2,821,000. To utilize these barter credits in exchange for advertising and purchase discounts, we must pay between 65-70% of the transaction value in cash. Because our anticipated cash flow has been negatively affected by the termination of the Futaba Agreement, our ability to make such payments and thereby utilize the barter credits is uncertain. Therefore, during the three months ended July 31, 2002, we wrote off all unused barter credits, thereby recognizing an impairment loss in the amount of approximately $2,821,000.

Our plans and expectations for our working capital needs also assume that our Chairman of the Board, President and other senior level personnel will continue to perform services without cash compensation or pension benefits. There can be no assurance that such personnel will continue to provide such services without such compensation.

The auditor's report on our financial statements as of October 31, 2002 states that the net loss incurred during the year ended October 31, 2002, our accumulated deficit as of that date, and the other factors described in Note 1 to the Financial Statements included in our Annual Report on Form 10-K for the year ended October 31, 2002, raise substantial doubt about our ability to continue as a going concern. Our financial statements have been prepared assuming we will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

Based on reductions in operating expenses that have been made and additional reductions that may be implemented, if necessary, we believe that our existing cash and accounts receivable, together with cash flows from expected sales of encryption products and flat panel displays, and other potential sources of cash flows, will be sufficient to enable us to continue in operation until at least the end of the first quarter of fiscal 2004. We anticipate that, thereafter, we will require additional funds to continue our marketing, production, and research and development activities, and we will require outside funding 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. We have engaged a firm as an investment advisor and placement agent in connection with an anticipated private placement of equity securities.

The sale of additional equity securities or convertible debt could result in 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 are also seeking to improve our liquidity through increased sales or license of products and technology. In an effort to generate sales, we have marketed our encryption products directly to U.S. and international distributors, dealers and original equipment manufacturers who market our encryption products on a non-exclusive basis. During the three-month periods ended January 31, 2003 and 2002, we have recognized revenue from product sales of approximately $91,000 and $244,000, respectively, and revenue in connection with the Futaba Agreement of approximately $0 and $1,033,000, respectively.

Our common stock is listed on The Nasdaq SmallCap Market. To maintain that listing, Nasdaq requires, among other things, that our stock maintain a minimum closing bid of at least $1 per share and that we maintain either stockholders' equity of $2,500,000, or market capitalization of $35,000,000, or net income in the last complete fiscal year of $500,000. Our stockholders' equity as of January 31, 2003 was approximately $1,969,000. The closing bid price of our common stock has been below $1 since February 12, 2001. In August 2002, Nasdaq notified us that our common stock is subject to delisting if the bid price of our common stock failed to close at $1 per share or more for a minimum of 10 consecutive trading days prior to February 10, 2003. We did not achieve such minimum closing bid price requirement by February 10, 2003. We have requested that Nasdaq grant us an additional grace period to regain compliance with the minimum bid price and the minimum stockholders' equity requirements. There can be no assurance that Nasdaq will grant us any additional grace periods. A delisting of our common stock could have an adverse affect on the market price and liquidity of our common stock.

The following table presents our expected cash requirements for contractual obligations outstanding as of January 31, 2003:

<TABLE>
<CAPTION>

	Payments Due by Period				
Contractual Obligations	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
<S>	<C>	<C>	<C>	<C>	<C>
Operating Leases	$ 190,000	-	-	-	$ 190,000
Total Contractual Cash Obligations	$ 190,000	-	-	-	$ 190,000

</TABLE>

GENERAL RISKS AND UNCERTAINTIES

Our business involves a high degree of risk and uncertainty, including, but not limited to, the following risks and uncertainties:

- - We have experienced significant net losses and negative cash flows from operations and they may continue.

We have had net losses and negative cash flows from operations in each year since our inception and in the three months ended January 31, 2003, and we may continue to incur substantial losses and experience substantial negative cash flows from operations. While payments from Futaba under the Futaba Agreement provided substantial cash from operations in the year ended October 31, 2002, since the Futaba Agreement terminated in June 2002, it is possible that we will again incur losses.

We have incurred substantial costs and expenses in developing our encryption and flat panel display technologies and in our efforts to produce commercially marketable products incorporating our technology. We have had limited sales of products to support our operations from inception through January 31, 2003. We have set forth below our net (losses), research and development expenses and net cash provided by (used in) operations for the three-month periods ended January 31, 2003 and 2002, and for the fiscal years ended October 31, 2002 and 2001:
<TABLE>
<CAPTION>

	(Unaudited) Three Months Ended January 31,		Fiscal Years Ended October 31,	
	2003	2002	2002	2001
<S>	<C>	<C>	<C>	<C>
Net income (loss)	$ (804,596)	$ 60,307	$ (3,285,240)	$(3,571,957)
Research and development	$ 491,627	$ 293,411	$ 1,625,974	$ 2,324,979
Net cash (used in) provided by operations	$ (286,079)	$ 2,163,102	$ (431,471)	$ (717,845)

</TABLE>

- - We may need additional funding in the future which may not be available on acceptable terms and, if available, may result in dilution to our stockholders, and our auditors have issued a "going concern" audit opinion.

We anticipate that, if cash generated from operations is insufficient to satisfy our requirements, we will require additional funding to continue our research and development activities, market our products and satisfy the continued-listing standards for the Nasdaq Stock Market. The auditor's report on our financial statements as of October 31, 2002 states that the net loss incurred during the year ended October 31, 2002, our accumulated deficit as of that date, and the other factors described in Note 1 to the Financial Statements included in our Annual Report on Form 10-K for the year ended October 31, 2002, raise substantial doubt about our ability to continue as a going concern. Our financial statements have been prepared assuming we will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

Based on reductions in operating expenses that have been made and additional reductions that may be implemented, if necessary, we believe that our existing cash and accounts receivable, together with cash flows from expected sales of encryption products and flat panel displays, and other potential sources of cash flows, will be sufficient to enable us to continue in operation until at least

the end of the first quarter of fiscal 2004. We anticipate that, thereafter, we will require additional funds to continue marketing, production, and research and development activities, and we will require outside funding 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. We have engaged a firm as an investment advisor and placement agent in connection with an anticipated private placement of equity securities. The sale of additional equity securities or convertible debt could result in dilution to our stockholders. We can give you no assurance that we will be able to generate adequate funds from operations, that funds will be available to us from debt or equity financings or that, if available, we will be able to obtain such funds on favorable terms and conditions.

- - We may not generate sufficient revenues to support our operations in the future or to generate profits.

We are engaged in two principal operations: (i) developing, manufacturing and marketing encryption products for voice, fax, and data communications and (ii) with Volga, developing an advanced flat panel video display technology. Our encryption products are only in their initial stages of commercial production and we have not yet begun commercial production of our flat panel displays. Our investments in research and development are considerable. Our ability to generate sufficient revenues to support our operations in the future or to generate profits will depend upon numerous factors, many of which are beyond our control, including:

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

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

- - 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 successfully develop our new products under development;

- - rapidly changing consumer preferences;

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

- - our ability to further develop and to commercialize our flat panel display technology in light of the termination of the Futaba Agreement;

- - our ability to jointly develop with Volga a full-color video display that can be successfully marketed; o the capability of Volga to produce video displays and supply them to us; and o our future negotiations with Volga with respect to payments and other arrangements under the Volga Agreement.

Because our revenue is subject to fluctuation, we may be unable to reduce operating expenses quickly enough to offset any unexpected revenue shortfall. If we have a shortfall in revenue in relation to expenses, our operating results would suffer. Our operating results for any particular quarter may not be indicative of future operating results. You should not rely on quarter-to-quarter comparisons of results of operations as an indication of our future performance.

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

Our future success is dependent on our ability to hire, retain and motivate highly qualified personnel. In particular, our success depends on the continued efforts of our Chief Executive Officer, Denis A. Krusos, and our President, Frank J. DiSanto, who founded our company in 1982 and are engaged in the management and operations of our business, including all aspects of the development, production and marketing of our encryption products and flat panel display technology. In addition, Messrs. Krusos and DiSanto, as well as our other skilled management and technical personnel, are important to our future business and financial arrangements. The loss of the services of any such persons could have a material adverse effect on our business and operating results.

- - The very competitive markets for our encryption products and flat panel display technology could have a harmful effect on our business and operating results.

The markets for our encryption products and flat panel display technology worldwide are highly competitive and subject to rapid technological changes. Most of our competitors are larger than us and possess financial, research, service support, marketing, manufacturing and other resources significantly greater than ours. Competitive pressures may have a harmful effect on our business and operating results.

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

Our common stock is listed on The Nasdaq SmallCap Market. To maintain that listing, Nasdaq requires, among other things, that our stock maintain a minimum closing bid of at least $1 per share and that we maintain either stockholders' equity of $2,500,000, or market capitalization of $35,000,000, or net income in the last complete fiscal year of $500,000. Our stockholders' equity as of January 31, 2003 was approximately $1,969,000. The closing bid price of our common stock has been below $1 since February 12, 2001. In August 2002, Nasdaq notified us that our common stock is subject to delisting if the bid price of our common stock failed to close at $1 per share or more for a minimum of 10 consecutive trading days prior to February 10, 2003. We did not achieve such minimum closing bid price requirement by February 10, 2003. We have requested that Nasdaq grant us an additional grace period to regain compliance with the minimum bid price and the minimum stockholders' equity requirements. There can be no assurance that Nasdaq will grant us any additional grace periods. A delisting of our common stock could have an adverse affect on the market price and liquidity of our common stock.

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In August 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations". SFAS No. 143 requires the fair value of a liability for an asset retirement obligation to be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. SFAS No. 143 is effective for fiscal years beginning after

June 15, 2002. The adoption of SFAS No. 143 had no effect on our financial position or results of operations.

In October 2001, the FASB issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 requires that long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001 and, generally, is to be applied prospectively. The adoption of SFAS No. 144 had no effect on our financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". SFAS No. 145 eliminates the current requirement that gains and losses on debt extinguishment must be classified as extraordinary items in the income statement. Instead, such gains and losses will be classified as extraordinary items only if they are deemed to be unusual and infrequent, in accordance with the current criteria for extraordinary classification. In addition, SFAS No.145 eliminates an inconsistency in lease accounting by requiring that modifications of capital leases that result in reclassification as operating leases be accounted for consistent with sale-leaseback accounting rules. SFAS No. 145 also contains other nonsubstantive corrections to authoritative accounting literature. The changes related to debt extinguishment will be effective for fiscal years beginning after May 15, 2002, and the changes related to lease accounting will be effective for transactions occurring after May 15, 2002. The adoption of SFAS No. 145 has not had and is not expected to have a material effect on our financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities", which addresses accounting for restructuring and similar costs. SFAS No. 146 supersedes previous accounting guidance, principally Emerging Issues Task Force (EITF) Issue No. 94-3. SFAS No. 146 requires that the liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF No. 94-3, a liability for an exit cost was recognized at the date of a company's commitment to an exit plan. SFAS No. 146 also establishes that the liability should initially be measured and recorded at fair value. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS No. 146 had no effect on our financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" which addresses financial accounting and reporting for recording expenses for the fair value of stock options. SFAS 148 provides alternative methods of transition for a voluntary change to fair value based method of accounting for stock-based employee compensation. Additionally, SFAS 148 requires more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. The provisions of this Statement are effective for fiscal years ending after December 15, 2002, with early application permitted in certain circumstances. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. We do not believe the adoption of SFAS No. 148 will have a material effect on our financial position or results of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We have invested a portion of our cash on hand in short term, fixed rate and highly liquid instruments that have historically been reinvested when they mature throughout the year. Although our existing instruments are not considered at risk with respect to changes in interest rates or markets for these instruments, our rate of return on these securities could be affected at the time of reinvestment, if any.

Item 4. Controls and Procedures

Within the 90 days prior to the date of this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chairman of the Board and Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-14 under the Exchange Act. Based upon that evaluation, our Chairman of the Board and Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us required to be included in our periodic SEC filings. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies or material weaknesses.

PART II. OTHER INFORMATION

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

(a) Exhibits

3.3 Amendment to By-Laws.

99.1 Statement of Chief Executive Officer pursuant to Section 1350 of Title 18 of the United States Code, dated March 17, 2003.

99.2 Statement of Chief Financial Officer pursuant to Section 1350 of Title 18 of the United States Code, dated March 17, 2003.

(b) Reports on Form 8-K

We filed no Current Report on Form 8-K during the quarter ended January 31, 2003.

SIGNATURES

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

CopyTele, Inc.

By: /s/ Denis A. Krusos

Denis A. Krusos
Chairman of the Board,
Chief Executive Officer
March 17, 2003 (Principal Executive Officer)

By: /s/ Frank J. DiSanto

Frank J. DiSanto
March 17, 2003 President

By: /s/ Henry P. Herms

Henry P. Herms
Vice President - Finance and
Chief Financial Officer (Principal
March 17, 2003 Financial and Accounting Officer)

CERTIFICATION

I, Denis A. Krusos, Chairman of the Board and Chief Executive Officer of CopyTele, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of CopyTele, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and

we have:

a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date");

c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors:

a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect

internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Denis A. Krusos

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

March 17, 2003

CERTIFICATION

I, Henry P. Herms, Vice President - Finance and Chief Financial Officer of CopyTele, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of CopyTele, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors:

a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect

internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Henry P. Herms

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

March 17, 2003

Exhibit 3.3

Amendment to By-laws

Article I, Section 10 of the Amended and Restated By-Laws of the Corporation is hereby amended to read in its entirety as follows:

"SECTION 10. Business at Stockholders' Meetings.

(a) Except as otherwise provided by law, at any annual or special meeting of stockholders only such business shall be conducted as shall have been properly brought before the meeting in accordance with the provisions of the Certificate of Incorporation and these By-laws of the Corporation. In order to be properly brought before the meeting, such business must have either been (i) specified in the written notice of the meeting (or any supplement thereto) given to stockholders of record on the record date for such meeting by or at the direction of the Board of Directors, (ii) brought before the meeting at the direction of the Board of Directors or the Chairman of the meeting, or (iii) specified in a written notice given by or on behalf of a stockholder of record on the record date for such meeting entitled to vote thereat or a duly authorized proxy for such stockholder, in accordance with all of the following requirements. A notice referred to in clause (iii) of this Section must be delivered personally to, or mailed to and received at, the principal executive office of the Corporation, addressed to the attention of the Secretary, in the case of business to be brought before a special meeting of stockholders, not more than ten (10) days after the date of the initial notice referred to in clause (i) of this Section, and, in the case of business to be brought before an annual meeting of stockholders, not less than forty five (45) days prior to the first anniversary date of the initial notice referred to in clause (i) of this Section of the previous year's annual meeting; provided, however, that such notice shall not be required to be given more than seventy-five (75) days prior to the annual meeting of stockholders. Such notice referred to in clause (iii) of this Section shall be set forth (A) a full description of each such item of business proposed to be brought before the meeting, (B) the name and address of the person proposing to bring such business before the meeting, (C) the class and number of shares held of record, held beneficially and represented by proxy by such person as of the record date for the meeting (if such date has then been made publicly available) and as of the date of such notice, (D) if any item of such business involves a nomination for director, all information regarding each such nominee that would be required to be set forth in a definitive proxy statement filed with the Securities and Exchange Commission pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor thereto, and the written consent of each such nominee to serve if elected, and (E) all other information that would be required to be filed with the Securities and Exchange Commission if, with respect to the business proposed to be brought before the meeting, the person proposing such business were a participant in a solicitation subject to Section 14 of the Exchange Act, or any successor thereto. No business shall be brought before any annual or special meeting of stockholders of the Corporation otherwise than as provided in the Section 10".

Exhibit 99.1

Statement of Chief Executive Officer
Pursuant to Section 1350 of Title 18 of the United States Code

Pursuant to Section 1350 of Title 18 of the United States Code, the undersigned, Denis A. Krusos, the Chairman of the Board and Chief Executive Officer of CopyTele, Inc., hereby certifies that:

1. The Company's Form 10-Q Quarterly Report for the period ended January 31, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Denis A. Krusos

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

March 17, 2003

Exhibit 99.2

Statement of Chief Financial Officer
Pursuant to Section 1350 of Title 18 of the United States Code

Pursuant to Section 1350 of Title 18 of the United States Code, the undersigned, Henry P. Herms, the Vice President - Finance and Chief Financial Officer of CopyTele, Inc., hereby certifies that:

1. The Company's Form 10-Q Quarterly Report for the period ended January 31, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Henry P. Herms

Henry P. Herms
Vice President - Finance and
Chief Financial Officer

March 17, 2003