Ocean Power Technologies, Inc.
Form 10-Q
March 11, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the Quarterly Period Ended January 31, 2015

Or

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

For the Transition Period From __________ to __________

Commission file number: 001-33417

OCEAN POWER TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**22-2535818**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

1590 REED ROAD, PENNINGTON, NJ 08534

(Address of Principal Executive Offices, Including Zip Code)

(609) 730-0400

(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of February 28, 2015, the number of outstanding shares of common stock of the registrant was 18,354,611.

OCEAN POWER TECHNOLOGIES, INC.
INDEX TO FORM 10-Q
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2015

PowerBuoy® is a registered trademark of Ocean Power Technologies, Inc. and the Ocean Power Technologies logo is a trademark of Ocean Power Technologies, Inc. All other trademarks appearing in this report are the property of their respective holders.

Special Note Regarding Forward-Looking Statements

We have made statements in this Quarterly Report on Form 10-Q that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements convey our current expectations or forecasts of future events. Forward-looking statements include statements regarding our future financial position, business strategy, budgets, projected costs, plans and objectives of management for future operations. The words "may," "continue," "estimate," "intend," "plan," "will," "believe," "project," "expect," "anticipate", “goal” and similar expressions may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking.

Any or all of our forward-looking statements in this report may turn out to be inaccurate. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. They may be affected by inaccurate assumptions we might make or unknown risks and uncertainties, including the risks, uncertainties and assumptions described in Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended April 30, 2014 and elsewhere in this report. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report may not occur as contemplated and actual results could differ materially from those anticipated or implied by the forward-looking statements.

You should not unduly rely on these forward-looking statements, which speak only as of the date of this filing. Unless required by law, we undertake no obligation to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise.

PART I — FINANCIAL INFORMATION

Item 1. ***FINANCIAL STATEMENTS***

Ocean Power Technologies, Inc. and Subsidiaries

Consolidated Balance Sheets

	January 31, 2015 (Unaudited)	**April 30, 2014**
ASSETS		
Current assets:		
Cash and cash equivalents	$19,868,906	$13,858,659
Marketable securities	50,000	14,493,881
Restricted cash	469,525	6,124,960
Accounts receivable	18,991	308,731
Unbilled receivables	189,265	37,410
Other current assets	330,010	568,377
Total current assets	20,926,697	35,392,018
Property and equipment, net	262,850	317,513
Patents, net	207,077	828,298
Restricted cash	75,000	1,221,696
Other noncurrent assets	426,677	325,310
Total assets	$21,898,301	$38,084,835
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$141,896	$501,397
Accrued expenses	2,448,855	2,931,239
Advance payment received from customer	—	4,709,055
Unearned revenues	—	992,447
Current portion of long-term debt	100,000	100,000
Total current liabilities	2,690,751	9,234,138
Long-term debt	75,000	150,000
Deferred credits	600,000	600,000
Total liabilities	3,365,751	9,984,138

Commitments and contingencies (note 9)		
Ocean Power Technologies, Inc. stockholders' equity:		
Preferred stock, $0.001 par value; authorized 5,000,000 shares, none issued or outstanding	—	—
Common stock, $0.001 par value; authorized 105,000,000 shares, issued 18,393,269 and 17,593,637 shares, respectively Treasury stock, at cost; 38,658 and 37,852 shares, respectively	(132,016)	(130,707)
Additional paid-in capital	180,692,849	180,454,341
Accumulated deficit	(161,478,920)	(151,640,503)
Accumulated other comprehensive loss	(167,971)	(225,733)
Total Ocean Power Technologies, Inc. stockholders' equity	18,932,335	28,474,992
Noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd.	(399,785)	(374,295)
Total equity	18,532,550	28,100,697
Total liabilities and stockholders' equity	$21,898,301	$38,084,835

See accompanying notes to consolidated financial statements (unaudited).

Ocean Power Technologies, Inc. and Subsidiaries

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended January 31,		**Nine Months Ended January 31,**	
	2015	**2014**	**2015**	**2014**
Revenues	$328,511	$199,622	$3,616,827	$1,124,157
Cost of revenues	379,106	193,213	4,344,346	1,115,925
Gross (loss) profit	(50,595)	6,409	(727,519)	8,232
Operating expenses:				
Product development costs	1,082,628	785,946	2,227,060	3,666,980
Selling, general and administrative costs	1,956,702	1,771,560	7,788,552	6,128,211
Total operating expenses	3,039,330	2,557,506	10,015,612	9,795,191
Operating loss	(3,089,925)	(2,551,097)	(10,743,131)	(9,786,959)
Interest income (expense), net	6,793	3,336	(48,403)	6,573
Other income			185,000	
Foreign exchange (loss) gain	(246,002)	23,448	(467,909)	152,575
Loss before income taxes	(3,329,134)	(2,524,313)	(11,074,443)	(9,627,811)
Income tax benefit	1,137,872	1,745,895	1,137,872	1,745,895
Net loss	(2,191,262)	(778,418)	(9,936,571)	(7,881,916)
Less: Net loss attributable to the noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd.	5,291	38,628	98,154	121,599
Net loss attributable to Ocean Power Technologies, Inc.	$(2,185,971)	$(739,790)	$(9,838,417)	$(7,760,317)
Basic and diluted net loss per share	$(0.12)	$(0.06)	$(0.56)	$(0.71)
Weighted average shares used to compute basic and diluted net loss per share	17,508,270	12,163,239	17,484,839	10,995,525

See accompanying notes to consolidated financial statements (unaudited).

Ocean Power Technologies, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Loss

(Unaudited)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2015	**2014**	**2015**	**2014**
Net loss	$(2,191,262)	$(778,418)	$(9,936,571)	$(7,881,916)
Foreign currency translation adjustment	64,414	(42,395)	130,426	(101,180)
Total comprehensive loss	(2,126,848)	(820,813)	(9,806,145)	(7,983,096)
Comprehensive (income) loss attributable to the noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd.	(44,564)	18,802	25,490	88,868
Comprehensive loss attributable to Ocean Power Technologies,	$(2,171,412)	$(802,011)	$(9,780,655)	$(7,894,228)

See accompanying notes to consolidated financial statements (unaudited).

Ocean Power Technologies, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

(Unaudited)

	Common Shares		**Treasury Shares**		**Additional Paid-In**	**Accumulated**	**Accumulated Other Comprehensive**	**Noncontrolling**
	Shares	**Amount**	**Shares**	**Amount**	**Capital**	**Deficit**	**Loss**	**Interest**
Balance, April 30, 2014	17,593,637	$17,594	(37,852)	$(130,707)	180,454,341	(151,640,503)	(225,733)	(374,295)
Net loss	—	—	—	—	—	(9,838,417)	—	(98,154)
Stock based compensation	—	—	—	—	129,774	—	—	—
Issuance (forfeiture) of restricted stock, net	799,632	799	—	—	108,084	—	—	—
Acquisition of treasury stock	—	—	(806)	(1,309)	—	—	—	—
Sale of stock	—	—	—	—	650	—	—	—
Other comprehensive income	—	—	—	—	—	—	57,762	72,664
Balance, January 31, 2015	18,393,269	$18,393	(38,658)	$(132,016)	180,692,849	(161,478,920)	(167,971)	(399,785)

See accompanying notes to consolidated financial statements (unaudited).

Ocean Power Technologies, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended January 31, 2015	2014
Cash flows from operating activities:		
Net loss	$(9,936,571)	$(7,881,916)
Adjustments to reconcile net loss to net cash used in operating activities		
Foreign exchange loss (gain)	467,909	(152,575)
Depreciation and amortization	727,188	321,237
Loss on disposals of property, plant and equipment	3,771	
Treasury note premium amortization		5,391
Compensation expense related to stock option grants & restricted stock	238,657	569,540
Allowance for doubtful accounts receivable		(296,174)
Changes in operating assets and liabilities:		
Accounts receivable	289,740	664,225
Long-term receivables		209,906
Unbilled receivables	(151,855)	(205,541)
Other current assets	229,910	(176,254)
Other noncurrent assets	(134,126)	(141,788)
Accounts payable	(348,795)	(229,680)
Accrued expenses	(435,950)	(305,655)
Return of advanced payment to customer	(4,709,055)	
Unearned revenues	(992,447)	(452,864)
Long-term unearned revenues		20,131
Net cash used in operating activities	(14,751,624)	(8,052,017)
Cash flows from investing activities:		
Purchases of marketable securities	(13,796,959)	(18,494,272)
Maturities of marketable securities	28,240,840	20,989,422
Restricted cash	6,787,329	(745,000)
Purchases of equipment	(54,466)	(21,191)
Net cashed provided by investing activities	21,176,744	1,728,959
Cash flows from financing activities:		
Proceeds from the sale of common stock, net of issuance costs	650	5,933,259
Exercise of stock options		8,000
Repayment of debt	(75,000)	(75,000)
Acquisition of treasury stock	(1,309)	(6,814)
Net cash (used in) provided by financing activities	(75,659)	5,859,445
Effect of exchange rate changes on cash and cash equivalents	(339,214)	7,463

Net increase (decrease) in cash and cash equivalents	6,010,247	(456,150)
Cash and cash equivalents, beginning of period	13,858,659	6,372,788
Cash and cash equivalents, end of period	$19,868,906	$5,916,638
Supplemental disclosure of noncash investing and financing activities:		
Capitalized purchases of equipment financed through accounts payable and accrued expenses	$1,110	

See accompanying notes to consolidated financial statements (unaudited).

Ocean Power Technologies, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Unaudited)

(1) Background, Basis of Presentation and Liquidity

a) Background

Ocean Power Technologies, Inc. (the "Company") was incorporated in 1984 in New Jersey, commenced business operations in 1994 and re-incorporated in Delaware in 2007. The Company develops and is seeking to commercialize proprietary systems that generate electricity by harnessing the renewable energy of ocean waves. The Company markets its products in the United States and internationally. Since fiscal 2002, government agencies have accounted for a significant portion of the Company's revenues. These revenues were largely for the support of product development efforts. The Company's goal is that an increased portion of its revenues be from the sale of products and maintenance services, as compared to revenue to support its product development efforts. As the Company continues to advance its proprietary technologies, it expects to continue to have a net decrease in cash from operating activities unless and until it achieves positive cash flow from the planned commercialization of its products and services.

b) Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The interim operating results are not necessarily indicative of the results for a full year or for any other interim period. Further information on potential factors that could affect the Company's financial results can be found in the Company's Annual Report on Form 10-K for the year ended April 30, 2014 filed with the Securities and Exchange Commission ("SEC") and elsewhere in this Form 10-Q.

c) Liquidity

The Company has incurred net losses and negative operating cash flows since inception. As of January 31, 2015, the Company had an accumulated deficit of $161.5 million. As of January 31, 2015, the Company's cash and cash equivalents and marketable securities balance was approximately $19.9 million as compared to $28.4 million at April 30, 2014. Based upon the Company's cash and cash equivalents and marketable securities balance as of January 31, 2015, the Company believes that it will be able to finance its capital requirements and operations through at least the first calendar quarter of 2016. In addition, as of January 31, 2015, the Company's restricted cash balance was approximately $0.6 million, which reflects a significant decrease from the Company's restricted cash balance of approximately $7.3 million as of April 30, 2014. See Note 2(f).

During 2014 and 2013, the Company continued to make investments in ongoing product development efforts in anticipation of future growth. The Company's future results of operations involve significant risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, but are not limited to, risks from insufficiencies of capital, technology development, scalability of technology and production, dependence on skills of key personnel, concentration of customers and suppliers, performance of PowerBuoys, deployment risks and laws, regulations and permitting. In order to complete its future growth strategy, the Company will require additional equity and/or debt financing. There is no assurance that additional equity and/or debt financing will be available to the Company as needed. If sufficient financing is not obtained by the Company, we may be required to further curtail or limit certain product development costs, and/or selling, general and administrative activities in order to reduce our cash expenditures.

In January 2013, we filed a shelf registration statement on Form S-3 (the "S-3" or the "S-3 Shelf"). The S-3 Shelf was declared effective in February 2013. Under the S-3 Shelf, in June 2013, we established an at the market offering facility (the "ATM Facility") with Ascendiant Capital Markets, LLC (the "Manager") via an At the Market Offering Agreement (the "ATM Agreement"). Under the ATM Agreement, we offered and sold shares of our common stock from time to time through the Manager, acting as sales agent, in ordinary brokerage transactions at prevailing market prices. Under the ATM Facility, during fiscal 2014, we issued 3,306,334 shares of our common stock at an average price to the public of $3.02 per share, receiving net proceeds from the ATM Facility of approximately $9,698,000.

Also in fiscal 2014, we entered into an underwriting agreement (the "Underwriting Agreement") with Roth Capital Partners, LLC (the "Underwriter") on April 4, 2014, with respect to the issuance and sale in an underwritten public offering (the "Public Offering") of an aggregate of 3,800,000 shares of our common stock at a price to the public of $3.10 per share. The Underwriting Agreement contained customary representations, warranties and agreements by us, customary conditions to closing and indemnification obligations, and a 90 day lock-up period that limited transactions in our common stock by us. Net proceeds from the Public Offering, which was completed in early April 2014, were approximately $10,828,000.

Ocean Power Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

Form S-3 limits the aggregate market value of securities that we are permitted to offer in any 12-month period under Form S-3, whether under the ATM Agreement, the Underwriting Agreement or otherwise, to one third of our public float. After the February 2014 share sales, we fully utilized the ATM Agreement and reached the applicable limit under Form S-3. Of the $40 million authorized under the S-3 Shelf, approximately $18.2 million remains available for issuance. During the nine months ended January 31, 2015, there were no proceeds from the sale of stock under the S-3 Shelf.

(2) Summary of Significant Accounting Policies

(a) Consolidation and Cost Method Investment

The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Participation of stockholders other than the Company in the net assets and in the earnings or losses of a consolidated subsidiary is reflected as a noncontrolling interest in the Company's Consolidated Balance Sheets and Statements of Operations, which adjusts the Company's consolidated results of operations to reflect only the Company's share of the earnings or losses of the consolidated subsidiary. As of January 31, 2015, there was one noncontrolling interest, consisting of 11.8% of the Company's Australian subsidiary, Ocean Power Technologies (Australasia) Pty. Ltd. (“OPTA”). OPTA owns 100% of Victorian Wave Partners Pty. Ltd. (“VWP”), which is also organized under the laws of Australia.

In addition, the Company evaluates its relationships with other entities to identify whether they are variable interest entities, and to assess whether it is the primary beneficiary of such entities. If the determination is made that the Company is the primary beneficiary, then that entity is included in the consolidated financial statements. As of January 31, 2015, there were no such entities.

(b) Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the recoverability of the carrying amount of property and equipment and patents; valuation allowances for receivables and deferred income tax assets; estimated costs to complete for projects; and percentage of completion of customer contracts for purposes of revenue recognition. Actual results could differ from those estimates. The current economic environment, particularly the macroeconomic pressures in certain European countries, has increased the degree of uncertainty inherent in those estimates and assumptions.

(c) Revenue Recognition

The Company's contracts are either cost plus or fixed price contracts. Under cost plus contracts, customers are billed for actual expenses incurred plus an agreed-upon fee. Currently, the Company has two types of fixed price contracts, firm fixed price and cost-sharing. Under firm fixed price contracts, the Company receives an agreed-upon amount for providing products and services specified in the contract. Under cost-sharing contracts, the fixed amount agreed upon with the customer is only intended to fund a portion of the costs on a specific project.

Generally, the Company recognizes revenue using the percentage-of-completion method based on the ratio of costs incurred to total estimated costs at completion. In certain circumstances, revenue under contracts that have specified milestones or other performance criteria may be recognized only when the customer acknowledges that such criteria have been satisfied. In addition, recognition of revenue (and the related costs) may be deferred for fixed-price contracts until contract completion if the Company is unable to reasonably estimate the total costs of the project prior to completion. These contracts are subject to interpretation and management may make a judgment as to the amount of revenue earned and recorded. Because the Company has a small number of contracts, revisions to the percentage-of-completion determination, management interpretation or delays in meeting performance and contractual criteria or in completing projects may have a significant effect on revenue for the periods involved. Upon anticipating a loss on a contract, the Company recognizes the full amount of the anticipated loss in the current period.

Ocean Power Technologies, Inc. and Subsidiaries
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Under cost plus and firm fixed price contracts, a profit or loss on a project is recognized depending on whether actual costs are more or less than the agreed upon amount. Under cost sharing contracts, an amount corresponding to the revenue is recorded in cost of revenues, resulting in gross profit on these contracts of zero. The Company's share of the costs is recorded as product development expense.

Unbilled receivables represent expenditures on contracts, plus applicable profit margin, not yet billed. Unbilled receivables are normally billed and collected within one year. Billings made on contracts are recorded as a reduction of unbilled receivables, and to the extent that such billings and cash collections exceed costs incurred plus applicable profit margin, they are recorded as unearned revenues.

Most of the Company's projects are under cost-sharing contracts.

(d) Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company invests excess cash in an overnight U.S. government securities repurchase bank account. In accordance with the terms of the repurchase agreement, the Company does not take possession of the related securities. The agreement contains provisions to ensure that the market value of the underlying assets remain sufficient to protect the Company in the event of default by the bank by requiring that the underlying securities have a total market value of at least 100% of the bank's total obligations under the agreement.

	January 31, 2015	**April 30, 2014**
Checking and savings accounts	$3,435,554	$1,917,176
Overnight repurchase account	13,926,933	
Certificates of deposits and US Treasury obligations		11,499,768
Money market funds	2,506,419	441,715
	$19,868,906	$13,858,659

(e) Marketable Securities

Marketable securities with original maturities longer than three months but that mature in less than one year from the balance sheet date are classified as current assets. Marketable securities that mature more than one year from the balance sheet date are classified as noncurrent assets. Marketable securities that the Company has the intent and ability to hold to maturity are classified as investments held-to-maturity and are reported at amortized cost. The difference between the acquisition cost and face values of held-to-maturity investments is amortized over the remaining term of the investments and added to or subtracted from the acquisition cost and interest income. As of January 31, 2015 and April 30, 2014, all of the Company’s investments were classified as held-to-maturity.

(f) Restricted Cash and Credit Facility

A portion of the Company’s cash is restricted under the terms of three security agreements.

One agreement is between Ocean Power Technologies, Inc. and Barclays Bank. Under this agreement, the cash is on deposit at Barclays Bank and serves as security for letters of credit and bank guarantees that are expected to be issued by Barclays Bank on behalf of OPT LTD, one of the Company's subsidiaries, under a credit facility established by Barclays Bank for OPT LTD. The credit facility carries a fee of 1% per annum of the amount of any such obligations issued by Barclays Bank. The credit facility does not have an expiration date, but is cancelable at the discretion of the bank. During the nine months ended January 31, 2015, the Company reduced the credit facility from €800,000 ($964,656) to approximately €307,000 ($347,525). As of January 31, 2015, there was €278,828 ($315,633) in letters of credit outstanding under this agreement.

The second agreement is between Ocean Power Technologies, Inc. and the New Jersey Board of Public Utilities (NJBPU). The Company received a $500,000 recoverable grant award from the NJBPU of which $175,000 is outstanding at January 31, 2015. Under this arrangement, the Company annually assigns to the NJBPU a certificate of deposit in an amount equal to the outstanding grant balance. See Note 6.

Ocean Power Technologies, Inc. and Subsidiaries
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The third agreement concerns letters of credit issued by PNC Bank for the benefit of the Oregon Department of State Lands for the removal of certain of the Company’s anchoring and mooring equipment from the seabed off the coast of Oregon. During the nine months ended January 31, 2015, the Company substantially completed the removal activity and reduced the letters of credit from $1,200,000 to one letter of credit of $22,000. This letter of credit is secured by a certificate of deposit with PNC Bank.

The Company had classified the initial grant funding received from the Australian Renewable Energy Agency (“ARENA”) of A$5,595,723 ($5,179,960), which includes an amount required to be submitted as goods and services tax (GST), as restricted cash as of April 30, 2014.

During the nine months ended January 31, 2015, the Company remitted the GST in the amount of A$508,702 ($470,905) to the Australian Tax Office (ATO) in accordance with local tax laws and also reclaimed this amount from the ATO during such nine month period. The Company also returned the initial grant funding received of A$5,595,723 ($5,179,960) and interest of A$109,051 ($102,061) to ARENA in accordance with the Deed of Variation and Termination of Funding Deed executed between the parties in August 2014. The Company had accrued this amount in accrued expenses and recorded this amount as restricted cash at April 30, 2014. Restricted cash includes the following:

	January 31, 2015	**April 30, 2014**
Current:		
Australian Renewable Energy Agency (ARENA)	$	$5,179,960
NJBPU agreement	100,000	100,000
Oregon Department of State Lands	22,000	845,000
Barclay's Bank Agreement	347,525	
	$469,525	$6,124,960

	January 31, 2015	**April 30, 2014**
Long Term:		
Barclay's Bank Agreement	$	$996,696
NJBPU agreement	75,000	225,000
	$75,000	$1,221,696

(g) Foreign Exchange Gains and Losses

The Company has invested in certain certificates of deposit and has maintained cash accounts that are denominated in British pounds sterling, Euros and Australian dollars. These amounts are included in cash, cash equivalents, restricted cash and marketable securities on the accompanying consolidated balance sheets. Such positions may result in realized and unrealized foreign exchange gains or losses from exchange rate fluctuations, which gains and losses are included in foreign exchange loss in the accompanying consolidated statements of operations.

	Three Months Ended January 31,		**Nine Months Ended January 31,**	
	2015	**2014**	**2015**	**2014**
Foreign exchange (loss) gain	$(246,002)	$23,448	$(467,909)	$152,575

Foreign currency denominated certificates of deposit and cash accounts:

	January 31, 2015	**April 30, 2014**
Restricted	$347,525	$6,176,656
Unrestricted	822,862	1,232,111
	$1,170,387	$7,408,767

Ocean Power Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

(h) Long-Lived Assets

Long-lived assets, such as property and equipment and patents subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, then an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. During the nine months ended January 31, 2015, the Company reviewed its long-lived assets for impairment and estimated that the remaining useful lives, for purposes of amortizing capitalized external patent costs, should be reduced from approximately five years to one year.

(i) Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash balances, bank certificates of deposit and trade receivables. The Company invests its excess cash in an overnight U.S. government securities repurchase bank account and does not believe that it is exposed to any significant risks related to its cash accounts, money market funds, certificates of deposit or overnight repurchase account.

The table below shows the percentage of the Company's revenues derived from customers whose revenues accounted for at least 10% of the Company's consolidated revenues for at least one of the periods indicated:

	Three months ended January 31,		**Nine months ended January 31,**	
Customer	**2015**	**2014**	**2015**	**2014**
US Department of Energy	25 %	50 %	37 %	37 %
Mitsui Engineering & Shipbuilding	75 %	100 %	37 %	18 %
European Union (WavePort project)		(50 %)	26 %	27 %
UK Government's Technology Strategy Board				18 %

100%	100 %	100%	100 %

The loss of, or a significant reduction in revenues from, any of the current customers could significantly impact the Company's financial position or results of operations. The Company does not require its customers to maintain collateral.

(j) Net Loss per Common Share

Basic and diluted net loss per share for all periods presented is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Due to the Company's net losses, potentially dilutive securities, consisting of outstanding stock options and non-vested performance-based shares, were excluded from the diluted loss per share calculation due to their anti-dilutive effect.

In computing diluted net loss per share, options to purchase shares of common stock and non-vested restricted stock issued to employees and non-employee directors, totaling 1,937,013 for the three and nine months ended January 31, 2015, and 1,581,016 for the three and nine months ended January 31, 2014, were excluded from the computations as the effect would be anti-dilutive due to the Company's losses.

(k) Recently Issued Accounting Standards

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles (“GAAP”) when it becomes effective. The new standard is effective for us on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or the cumulative effect transition method. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

Ocean Power Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
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In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which describes how an entity should assess its ability to meet obligations and sets rules for how this information should be disclosed in the financial statements. The standard provides accounting guidance that will be used along with existing auditing standards. The new standard applies to all entities for the first annual period ending after December 15, 2016, and interim periods thereafter. Early application is permitted. We are evaluating the effect ASU 2014-15 will have on our consolidated financial statements and disclosures and have not yet determined the effect of the standard on our ongoing financial reporting at this time.

(3) Marketable Securities

Marketable securities with initial maturities longer than three months but that mature within one year from the balance sheet date are classified as current assets and are summarized as follows:

	January 31, 2015	**April 30, 2014**
Certificates of Deposit and US Treasury obligations	$ 50,000	