Ocean Power Technologies, Inc.
Form 10-Q
December 13, 2013

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 October 31, 2013

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 November 30, 2013, the number of outstanding shares of common stock of the registrant was 12,160,045.

OCEAN POWER TECHNOLOGIES, INC.
INDEX TO FORM 10-Q
FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2013

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, 2013 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

	October 31, 2013 (Unaudited)	April 30, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$10,032,284	6,372,788
Marketable securities	6,498,171	13,996,705
Accounts receivable, net	—	796,332
Unbilled receivables	178,083	127,598
Other current assets	274,812	152,962
Total current assets	16,983,350	21,446,385
Property and equipment, net	612,612	700,968
Patents, net	938,402	1,044,902
Accounts receivable	212,018	—
Restricted cash	2,159,856	1,366,256
Other noncurrent assets	418,551	272,548
Total assets	$21,324,789	24,831,059
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$502,439	510,031
Accrued expenses	4,328,550	3,900,623
Unearned revenues	783,062	1,117,115
Current portion of long-term debt	100,000	100,000
Total current liabilities	5,714,051	5,627,769
Long-term debt	200,000	250,000
Long-term unearned revenues	51,276	232,033
Deferred credits	600,000	600,000
Total liabilities	6,565,327	6,709,802
Commitments and contingencies (note 8)		
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 11,726,883 and 10,403,215 shares, respectively	11,727	10,403
Treasury stock, at cost; 37,852 and 33,771 shares, respectively	(130,707)	(123,893)
Additional paid-in capital	162,961,343	159,155,365
Accumulated deficit	(147,691,838)	(140,671,311)
Accumulated other comprehensive loss	(151,476)	(79,786)
Total Ocean Power Technologies, Inc. stockholders' equity	14,999,049	18,290,778
Noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd	(239,587)	(169,521)
Total equity	14,759,462	18,121,257
Total liabilities and stockholders' equity	$21,324,789	24,831,059

See accompanying notes to consolidated financial statements (unaudited).

Ocean Power Technologies, Inc. and Subsidiaries

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2013	**2012**	**2013**	**2012**
Revenues	$463,608	1,360,299	924,535	2,342,695
Cost of revenues	462,336	1,246,277	922,712	2,226,137
Gross profit	1,272	114,022	1,823	116,558
Operating expenses:				
Product development costs	1,610,089	2,937,567	2,881,034	4,864,994
Selling, general and administrative costs	1,808,892	2,104,628	4,356,651	4,488,966
Total operating expenses	3,418,981	5,042,195	7,237,685	9,353,960
Operating loss	(3,417,709)	(4,928,173)	(7,235,862)	(9,237,402)
Interest income, net	2,879	34,888	3,237	90,312
Foreign exchange gain (loss)	107,357	102,741	129,127	(5,582)
Net loss	(3,307,473)	(4,790,544)	(7,103,498)	(9,152,672)
Less: Net loss attributable to the noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd.	36,916	39,004	82,971	65,079
Net loss attributable to Ocean Power Technologies, Inc.	$(3,270,557)	(4,751,540)	(7,020,527)	(9,087,593)
Basic and diluted net loss per share	$(0.31)	(0.46)	(0.67)	(0.88)
Weighted average shares used to compute basic and diluted net loss per share	10,510,214	10,301,601	10,416,021	10,298,800

See accompanying notes to consolidated financial statements (unaudited).

Ocean Power Technologies, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Loss

(Unaudited)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2013	**2012**	**2013**	**2012**
Net loss	$(3,307,473)	(4,790,544)	$(7,103,498)	(9,152,672)
Foreign currency translation adjustment	(52,900)	(13,476)	(71,690)	(23,960)
Total comprehensive loss	(3,360,373)	(4,804,020)	(7,175,188)	(9,176,632)
Comprehensive loss attributable to the noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd.	(9,214)	38,416	12,905	65,552
Comprehensive loss attributable to Ocean Power Technologies, Inc.	$(3,369,587)	(4,765,604)	(7,162,283)	(9,111,080)

See accompanying notes to consolidated financial statements (unaudited).

Ocean Power Technologies, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited)

	Six Months Ended October 31, 2013	2012
Cash flows from operating activities:		
Net loss	$(7,103,498)	(9,152,672)
Adjustments to reconcile net loss to net cash used in operating activities:		
Foreign exchange (gain) loss	(129,127)	5,582
Depreciation and amortization	217,079	245,382
Treasury note premium amortization	5,391	26,023
Compensation expense related to stock option grants and restricted stock	369,503	617,200
Changes in operating assets and liabilities:		
Accounts receivable	357,244	482,671
Long-term receivables	212,018	
Unbilled receivables	(50,484)	(434,090)
Other current assets	(122,169)	387,395
Other noncurrent assets	(138,734)	(14,121)
Accounts payable	(7,040)	82,601
Accrued expenses	421,744	910,155
Unearned revenues	(334,630)	542,993
Long-term unearned revenues	(180,757)	—
Net cash used in operating activities	(6,483,460)	(6,300,881)
Cash flows from investing activities:		
Purchases of marketable securities	(9,497,707)	(10,041,162)
Maturities of marketable securities	16,990,850	20,753,357
Restricted cash	(745,000)	75,000
Purchases of equipment	(21,191)	(340,248)
Net cash provided by investing activities	6,726,952	10,446,947
Cash flows from financing activities:		
Proceeds from the sale of common stock, net of issuance costs	3,429,799	
Proceeds from the exercise of stock options	8,000	
Repayment of debt	(50,000)	(50,000)
Acquisition of treasury stock	(6,814)	(9,122)
Net cash provided by (used in) financing activities	3,380,985	(59,122)
Effect of exchange rate changes on cash and cash equivalents	35,019	6,127
Net increase in cash and cash equivalents	3,659,496	4,093,071
Cash and cash equivalents, beginning of period	6,372,788	9,353,460
Cash and cash equivalents, end of period	$10,032,284	13,446,531

Supplemental disclosure of noncash investing and financing activities:	
Capitalized purchases of equipment financed through accounts payable and accrued expenses	3,336

See accompanying notes to consolidated financial statements (unaudited).

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Ocean Power Technologies, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

(Unaudited)

	Common Shares		Treasury Shares		Additional Paid-In	Accumulated	Other Comprehensive	Noncontrolling	
	Shares	**Amount**	**Shares**	**Amount**	**Capital**	**Deficit**	**Loss**	**Interest**	**Total Equity**
Balance, April 30, 2012	10,407,389	$10,407	(23,544)	$(102,388)	158,296,458	(125,989,474)	(78,990)	(28,632)	32,107
Net loss	—	—	—	—	—	(9,087,593)	—	(65,079)	(9,152
Stock based compensation	—	—	—	—	590,344	—	—	—	590,34
Issuance of restricted stock, net	8,159	9	—	—	26,849	—	—	—	26,858
Acquisition of treasury stock	—	—	(4,274)	(9,122)	—	—	—	—	(9,122
Other comprehensive loss	—	—	—	—	—	—	(23,487)	(473)	(23,96
Balance, October 31, 2012	10,415,548	$10,416	(27,818)	$(111,510)	158,913,651	(135,077,067)	(102,477)	(94,184)	23,538
Balance, April 30, 2013	10,403,215	$10,403	(33,771)	$(123,893)	159,155,365	(140,671,311)	(79,786)	(169,521)	18,121
Net loss	—	—	—	—	—	(7,020,527)	—	(82,971)	(7,103
Stock based compensation	—	—	—	—	348,016	—	—	—	348,01
Issuance of restricted stock,	19,822	20	—	—	21,467	—	—	—	21,487

net									
Stock issued upon exercise of stock options	4,000	4	—	—	7,996	—	—	—	8,000
Acquisition of treasury stock, net	—	—	(4,081)	(6,814)	—	—	—	—	(6,814
Sale of stock, net	1,299,846	1,300			3,428,499	—	—	—	3,429,
Other comprehensive loss	—	—	—	—	—	—	(71,690)	12,905	(58,78
Balance, October 31, 2013	11,726,883	$11,727	(37,852)	$(130,707)	162,961,343	(147,691,838)	(151,476)	(239,587)	14,759

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, the US Navy and other 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, 2013 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 October 31, 2013, the Company had an accumulated deficit of $147.7 million. As of October 31, 2013, the Company’s cash and cash equivalents, marketable securities and restricted cash balance was approximately $18.7 million. Based upon the

Company's cash and cash equivalents and marketable securities balance as of October 31, 2013, the Company believes that it will be able to finance its capital requirements and operations into the first calendar quarter of 2015.

During fiscal 2014 and 2013, the Company has 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 competition, new products, technological change, recent economic activity and dependence on key personnel. 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 financing is not achieved, the Company may be required to further curtail or limit certain product development costs, and/or selling, general and administrative, activities in order to reduce its cash expenditures.

In January 2013, the Company filed with the SEC a shelf registration statement on Form S-3 registering the sale of up to $40,000,000 of debt, equity and other securities (the "S-3 Shelf"). The S-3 Shelf was declared effective in February 2013. On June 6, 2013, the Company entered into an At the Market Offering Agreement (the "Offering Agreement") with Ascendiant Capital Markets, LLC (the "Manager"). Pursuant to the Offering Agreement, the Company may offer and sell shares of its common stock having an aggregate offering price of up to $10,000,000 from time to time over the three-year term of the Offering Agreement, through or to the Manager, acting as sales agent and/or principal. Subject to certain limited exceptions, these sales will be made in ordinary brokerage transactions at prevailing market prices.

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

During the six months ended October 31, 2013, the Company sold approximately 1,300,000 shares pursuant to the Offering Agreement for net proceeds of approximately $3,429,800 and subsequently sold approximately 471,000 shares in November 2013 for net proceeds of approximately $1,236,900. Sales of shares under the Offering Agreement are made pursuant to the Company’s instructions (including any price, time or size limits or other customary conditions or parameters that it may impose) and are registered on the S-3 Shelf in reliance on, and subject to the limitations of, General Instruction I.B.6 of Form S-3 and other applicable law and regulations. In particular, Form S-3 limits the aggregate market value of securities that the Company is permitted to offer in any 12-month period under Form S-3, whether under the Offering Agreement or otherwise, to one third of the Company’s public float. The Company is under no obligation to sell, and the Manager is under no obligation to purchase or place, securities under the Offering Agreement, and there can be no assurance that the Company will continue to do so or will be able to do so on favorable terms or at all.

(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 October 31, 2013, there was one noncontrolling interest, consisting of 11.8% of the Company's Australian subsidiary, Ocean Power Technologies (Australasia) Pty. Ltd.

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 October 31, 2013, there were no such entities.

The Company has a 10% investment in Iberdrola Energias Marinas de Cantabria, S.A. (“Iberdrola Cantabria”) and certain outstanding receivables from Iberdrola Cantabria. The investment in Iberdrola Cantabria and net accounts receivable and unbilled receivables from Iberdrola Cantabria were $0 as of April 30, 2012. See Note 8.

(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; 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. Because the Company has a small number of contracts, revisions to the percentage-of-completion determination or delays in meeting performance 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
Notes to Consolidated Financial Statements
(Unaudited)

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 (if applicable), 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.

(d) Cash and Cash Equivalents

Cash equivalents consist of investments in short-term financial instruments with initial maturities of three months or less from the date of purchase. Cash and cash equivalents include the following:

	October 31, 2013	**April 30, 2013**
Checking and savings accounts	$5,344,339	2,184,322
Money market funds	1,688,000	4,188,466
Treasury bills	2,999,945	
	$10,032,284	6,372,788

(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 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 October 31, 2013 and April 30, 2013, 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 that are expected to be issued by Barclays Bank on behalf of Ocean Power Technologies Ltd., one of the Company's subsidiaries, under a €800,000 ($989,856) credit facility established by Barclays Bank for Ocean Power Technologies Ltd. The credit facility is for the issuance of letters of credit and bank guarantees and carries a fee of 1% per annum of the amount of any such obligations issued by Barclays Bank. As of October 31, 2013, there were €544,828 ($749,551) in letters of credit outstanding under this agreement. The credit facility does not have an expiration date, but is cancelable at the discretion of the bank.

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. Under this agreement, the Company annually assigns to the NJBPU a certificate of deposit in an amount equal to the outstanding grant balance. See Note 5.

The third agreement concerns two letters of credit issued by Ocean Power Technologies, Inc. for the benefit of Oregon Department of State Lands. The two letters of credit relate to the removal of certain of the Company's anchoring and mooring equipment from the seabed off the coast of Oregon. These letters of credit are secured by two certificates of deposit with PNC Bank. The first letter of credit for $375,000 has a term through August 31, 2014 and the second letter of credit for $470,000 has a term through October 16, 2014.

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

Cash restricted under security agreements is as follows:

	October 31, 2013	April 30, 2013
Barclays Bank agreement	$989,856	941,256
NJBPU agreement	325,000	425,000
Oregon Department of State Lands	845,000	
	$2,159,856	1,366,256

(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 October 31,		Six Months Ended October 31,	
	2013	2012	2013	2012
Foreign exchange gain (loss)	$107,357	102,741	129,127	(5,582)

	October 31, 2013	April 30, 2013
Foreign currency denominated certificates of deposit and cash accounts:		
Restricted	$989,856	941,256
Unrestricted	1,078,961	1,550,458
	$2,068,817	2,491,714

(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. The Company reviewed its long-lived assets for impairment and determined there was no impairment for the six months ended October 31, 2013.

(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 highly liquid investments (principally, short-term bank deposits, Treasury bills, Treasury notes and money market funds) and does not believe that it is exposed to any significant risks related to its cash accounts, money market funds or certificates of deposit.

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

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 October 31,		**Six months ended October 31,**	
Customer	**2013**	**2012**	**2013**	**2012**
European Union (WavePort project)	61 %	13 %	46 %	15 %
US Department of Energy	22 %	49 %	24 %	55 %
UK Government's Technology Strategy Board		1 %	19 %	3 %
Mitsui Engineering & Ship Building	15 %	31 %	8 %	20 %
	98 %	94 %	97 %	93 %