BIBB CORP
Form 10-Q
August 17, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

[X] Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2009

[ ] Transition report under Section 13 or 15(d) of the Exchange Act For the transition period from __to__

Commission File Number: 333-145264

BIBB CORPORATION
(Exact name of Registrant as specified in its charter)

Nevada	75-3076597
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5645 Coral Ridge Drive #171
Coral Springs, Florida 33076
(Address of principal executive offices)

954-258-1917
(Registrant's telephone number, including area code)

None
Former Name, Address and Fiscal Year, If Changed Since Last Report

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 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.

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

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

A total of 3,340,000 shares of common stock were issued and outstanding on June 30, 2009.

Transitional Small Business Disclosure Format: Yes No X

1

Bibb Corporation

Table of Contents

Page No.

PART 1 FINANCIAL INFORMATION

ITEM 1 Financial Statements (Un-Audited)

a) Balance Sheets – June 30, 2009, December 31, 2008 a
2007

b) Statement of Operations – For three months ended June 30, 2009 and 2008

For six months ended June 30, 2009 and 2008

And from July 22, 2002 (Date of inception) through June 30,
2009 5

c) Statement of Cash Flows – For six months ended June 30, 2009 and 2008,

And from July 22, 2002 (Date of inception) through June 30,
2009 6

d) Notes to Fina
Statements.
7

ITEM 2 Management Discussion and Analysis of Financial Condition and Results of
Operations 9

ITEM 3 Quantitative and Qualitative Disclosures About Market
Risk

ITEM 4 Controls and
Procedures
14

PART 2 OTHER INFORMATION

ITEM 5
Exhibits
16

SIGNATURES

EXHIBITS

Exhibit 31.1 Certification by President pursuant to Rule 13a-14(b) and Rule 15d-14(b) of the Exchange Act (filed herewith)

Exhibit 32.1: Certification by CEO pursuant to Section 906 of the Sarbanes-Oxley Act (filed herewith)

2

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The interim financial statements included herein are unaudited but reflect, in management's opinion, all adjustments, consisting only of normal recurring adjustments that are necessary for a fair presentation of Registrant's financial position and the results of our operations for the interim periods presented. Because of the nature of our business, the results of operations for the three months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the full fiscal year. These financial statements should be read in conjunction with our audited financial statements and notes thereto included in our Form 10K-SB statement, filed on March 30, 2009, which can be found in its entirety on the SEC website at www.sec.gov under SEC File Number 333-145264.

BIBB CORPORATION
(A Development Stage Company)
Balance Sheets

	Un-Audited As of June 30, 2009	Audited As of December 31, 2008	Audited As of December 31, 2007
ASSETS			
Current assets			
Cash	$ 8,691	$ 18,347	$ 29,264
Common stock subscription receivable			905
Total current assets	$ 8,691	$ 18,347	$ 30,169
Total Assets	$ 8,691	$ 18,347	$ 30,169
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Total current liabilities			--
Total liabilities			--
Stockholders' equity			
Common stock; $.001 par value; 25,000,000 shares authorized, 3,340,000 shares issued and outstanding as of December 31, 2008 and December 31, 2007	3,340	3,340	2,340
Common Stock; $.001 par value, 1,000,000 shares issued at $.03 per share.			1,000
Additional paid-in capital	49,630	49,630	49,180
Accumulated deficit	(44,279)	(34,623)	(22,351)
Total stockholders' equity	$ 8,691	$ 18,347	$ 30,169
Total liabilities and stockholders' equity	$ 8,691	$ 18,347	$ 30,169

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

BIBB CORPORATION
(A Development Stage Company)
Statements of Operations

					Un-Audited
	Un-Audited	Un-Audited	Un-Audited	Un-Audited	July 22, 2002
					(Date of Inception)
	Three months ended		Six months ended		through
	June 30, 2009	June 30. 2008	June 30, 2009	June 30. 2008	June 30, 2009
Revenue	$ -	$ -	$ -	$ -	$ -
Cost of goods sold				-	-
Gross profit				-	-
Operating expenses					
Professional fees					-
General and administrative	$ 6,032	$ 3,836	$ 9,656	$8,074	$ 44,279
Total operating expenses	$ 6,032	$ 3,836	$ 9,656	$8,074	$ 44,279
Loss from operations	(6,032)	(3,836)	(9,656)	(8,074)	(44,279)
Loss before provision for income taxes	(6,032)	(3,836)	(9,656)	(8,074)	(44,279)
Provision for income taxes					
Net loss	(6,032)	(3,836)	(9,656)	(8,074)	(44,279)
Basic and diluted loss per common share	(0)	(0)	(0)	(0)	(0)
Basic and diluted weighted average common shares outstanding	2,973,333	2,973,333	2,973,333	2,973,333	2,776,481

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

BIBB CORPORATION
(A Development Stage Company)
Statements of Cash Flows

	Un-Audited	Un-Audited	Un-Audited From July 22, 2002 (Date of Inception) through
	Six months ended		
	June 30. 2009	June 30. 2008	June 30. 2009
Cash flows from operating activities:			
Net loss	(9,656)	(8,074)	(44,279)
Adjustments to reconcile net loss to			-
net cash used by operating activities:			-
Changes in operating assets and liabilities:			-
			-
Net cash used by operating activities	(9,656)	(8,074)	(44,279)
Cash flows from investing activities:			
Purchase of property and equipment			-
Net cash used by investing activities			-
Cash flows from financing activities:			
Common stock subscriptions received		905	30,000
Loans from officer	-	225	22,970
Net cash provided by financing activities		1,130	52,970
Net increase in cash	(9,656)	(6,944)	8,691
Cash, beginning of period	18,347	29,264	-
Cash, end of period	8,691	22,320	8,691

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

BIBB CORPORATION
(A Development Stage Company)
Notes to Financial Statements

1 .. DESCRIPTION OF BUSINESS, HISTORY AND SUMMARY OF SIGNIFICANT POLICIES

Description of business and history – Bibb Corporation, a Nevada corporation, (hereinafter referred to as the “Company” or “Bibb Corp.”) was incorporated in the State of Nevada on July 22, 2002. The company plans to be in the business of multi-media publishing and marketing. The Company operations have been limited to general administrative operations and it is considered a development stage company in accordance with Statement of Financial Accounting Standards No. 7.

Management of Company – The company filed its articles of incorporation with the Nevada Secretary of State on July 22, 2002, indicating Dean Patel as the incorporator.

The company filed its annual list of officers and directors with the Nevada Secretary of State on December 10, 2002 indicating its President, Secretary, Treasurer and Director is Judson Bibb. He remains in those positions as of this filing.

Going concern – The Company incurred net losses of approximately $44,279 from the period of July 22, 2002 (Date of Inception) through June 30, 2009 and has not commenced its operations, however, it is still in the development stages, raising substantial doubt about the Company’s ability to continue as a going concern. The Company may seek additional sources of capital through the issuance of debt or equity financing, but there can be no assurance the Company will be successful in accomplishing its objectives.

The ability of the Company to continue as a going concern is dependent on additional sources of capital and the success of the Company’s plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Year end – The Company’s year end is December 31.

Income taxes – The Company accounts for its income taxes in accordance with Statement of Financial Accounting Standards No. 109, which requires recognition of deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

Management believes the Company will have a net operating loss carryover to be used for future years. Such losses may not be fully deductible due to the significant amounts of non-cash service costs. The Company has established a valuation allowance for the full tax benefit of the operating loss carryovers due to the uncertainty regarding realization.

Current tax laws limit the amount of loss available to be offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited.

Net loss per common share – The Company computes net loss per share in accordance with SFAS No. 128, Earnings per Share (SFAS 128) and SEC Staff Accounting Bulletin No. 98 (SAB 98). Under the provisions of SFAS 128 and

SAB 98, basic net loss per share is computed by dividing the net loss available to common stockholders for the period by the weighted average number of shares of common stock outstanding during the period. The calculation of diluted net loss per share gives effect to common stock equivalents; however, potential common shares are excluded if their effect is anti-dilutive. For the period from July 22, 2002 (Date of Inception) through June 30, 2009, no options and warrants were excluded from the computation of diluted earnings per share because their effect would be anti-dilutive.

Concentration of risk – A significant amount of the Company's assets and resources are dependent on the financial support (inclusive of free rent) of Judson Bibb. Should he determine to no longer finance the operations of the company, it may be unlikely for the company to continue.

Revenue recognition – The Company has no revenues to date from its operations

BIBB CORPORATION
(A Development Stage Company)
Notes to Financial Statements

1a. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT POLICIES (continued)

Advertising costs –The Company has recorded no advertising costs for the period from March 31, 2009 through June 30, 2009.

Legal Procedures – The Company is not aware of, nor is it involved in any pending legal proceedings.

2. PROPERTY AND EQUIPMENT

As of June 30, 2009, the Company does not own any property and/or equipment.

3. STOCKHOLDER'S EQUITY

The Company has 3,340,000 shares authorized and 3,340,000 issued and outstanding as of June 30, 2009.

The issued and outstanding shares were issued as follows:

100,000 common shares were issued to Judson Bibb on August 19, 2002 for the sum of $100 in cash.

215,000 common shares were issued to Judson Bibb on March5, 2002 for the sum of $215 in cash.

25,000 common shares were issued to Judson Bibb on October 31, 2002 for the sum of $25 in cash.

2,000,000 common shares were issued to Judson Bibb on December 20, 2002 for the sum of $6,000 in cash.

1,000,000 common shares were issued to 25 shareholders on February 5, 2008 for the sum of $30,000 in cash.

As of June 30, 2009, total liabilities and equity were $8,691.

4. RELATED PARTY TRANSACTIONS

The Company currently uses the home of Judson Bibb , an officer and director of the Company, on a rent-free basis for administrative purposes and in the future will use it for storage purposes as well. There is no written lease agreement or other material terms or arrangements relating to said arrangement.

In 2005, 2006, 2007 and 2008, Judson Bibb made loans to the Company totaling $6,439, $4,791, $4,950 and $450 respectively. As of June 30, 2009, his total contributions equal $22,970.

5. STOCK OPTIONS

As of June 30, 2009, the Company does not have any stock options outstanding, nor does it have any written or verbal agreements for the issuance or distribution of stock options at any point in the future.

6. LITIGATION

As of June 30, 2009, the Company is not aware of any current or pending litigation which may affect the Company's operations.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations in conjunction with our financial statements and related notes. The following discussion and other parts of this report contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated by such forward-looking statements due to various factors, including, but not limited to, those set forth under "Certain Factors That May Affect Our Future Operating Results" and elsewhere in this report.

We began our development stage in July 2002. Since inception we have focused primarily on research and development activities, organizing our company, finding and negotiating with vendors, raising capital and laying the groundwork to take the company public. Until the closing of our current offering, development expenses were funded by our founder, Judson Bibb.

Our planned principal operations of producing and marketing fully integrated multi-media products have not commenced and, accordingly, we have not derived any revenue from these operations. In fact, we have incurred only losses and we expect to continue to incur losses for, at least, the next year as we create our products.

We have an accumulated deficit of $44,279 since inception. We have not generated any revenues to date; and we have been issued a "substantial doubt" going concern opinion from our auditors.

Until 2007, our only assets were the cash contributed by the founder. Thanks to a year-end closing of a $30,000 offering, we had money to begin product development. As the funds were transferred from escrow into the company operating account in February 2008, scriptwriting began once the filing of the 10K was complete.

To that end, the shooting script has been researched and written. Keyword research and writing for the website has also been completed. The manual has been written and vetted and is now in the layout process. Video production has been completed. Editing of the DVD is in its final stages. After editing is complete, we will create a galley, author and duplicate the DVDs, print the manual, publish our website and create our initial television commercial.

Therefore, a comparison of our financial information for accounting periods would likely not be meaningful or helpful in making an investment decision regarding our company.

OVERVIEW

Bibb Corporation was founded on the belief that we have a new way for the millions of marginally literate people to acquire and comprehend the complex information required to interact with government, businesses and the law. With the result that not being comfortable reading and understanding text no longer dooms one to dependence on others or withdrawal from legal and business intercourse. Our goal is to assist customers who want and need information that is easy to find, easy-to-use and easy to understand.

We intend to develop our business as an "information retailer", providing information in a simple, easy-to-use manner through multi-media applications. Our concept is intended to blur the lines between a number of business applications: publisher, video producer and Internet content provider.

Each of our products will be fully integrated combinations of video, audio and print supplemented by Internet information. Our information products are intended to be a solution in which one medium will complement and support the information provided by the other.

In a nutshell, we'll offer a simple manual then support it with how-to videos that show and tell how to apply the information step-by-step and support it a second way with a website for updated information and answers to questions.

The video enhances the manual and provides a further level of comfort to the buyers. They feel more secure knowing they will be able to use and understand the manual as well as be able to accomplish what they need to do.

The website delivers added value. The website provides updated information that's been uncovered or released since the manual was printed as well as form letters to copy and paste or adapt. Customers can also review questions others have asked and read the answers to them or ask new questions.

As the video will rely on voice over to deliver the audio portion of the content, foreign language versions will be easy to do. We just strip off the old voice track and lay in a new one then replace the graphics and titles.

We do not intend to change our business activities or combine with or acquire any other company now or in the foreseeable future. If we are unable to complete our business plans and become profitable, we may decide that we cannot continue with our business operations as outlined in our original business plan because of a lack of financial resources and may be forced to seek other potential business opportunities that might be available; however, we have no plans or intentions to do so at this time or at any time in the future.

STRATEGY

One of the five best selling direct response television ads in recent years has been the Video Professor series which teaches computer use by video or interactive CD. It is a shining example of successfully selling information via direct response television.

We intend to follow the same course by using direct response television commercials to market our products. Selling prices will range between $19.95 and $24.95. As is the industry norm, we will initially run our direct response commercials in a few local markets. By testing different price points, offers and premiums, we will determine which combination works best and then continue to roll out the commercials in other markets. If the product sales are successful, we intend to follow with Spanish versions.

Our initial goal will be to establish our ‘brand name’ as a trusted source of reliable, simple and effective information products. We feel direct response television commercials will be an immediate way for us to establish credibility and brand awareness, as well as generate sales.

As game and other visual entertainment sites are popular with the marginally literate, once our brand has been established, sales commence and revenues are generated, we intend to set up a commission sales program for webmasters to increase web sales and drive consumers to our website.

Each medium (print, video and web) will cross promote the entire line of products. The non-password protected section of our website will promote and offer our products for sale online. Each person entering the password protected section will be required to register and establish a password, creating a database for future marketing efforts.

In addition to marketing our products through television and our website, we intend to contact booksellers, video stores and other retailers to negotiate possible inclusion of our products in their offerings. As retail sales for direct response products currently run 10 to 1, (for every television sale, another 10 will be sold at the retail level) our television sales figures will provide significant leverage.

Once we have placement in store shelves, we intend to release other titles that don’t push the traditional direct response emotional hot buttons such as: filing taxes, buying or leasing a car, dealing with Medicare or an insurance company, going to small claims court, etc.

RECENT EVENTS

On December 31, 2007, we completed an initial offering of 1,000,000 shares of common stock at a per share price of $.03. Net proceeds from the offering were $30,000.

Cash at the end of the December 2007 totaled only $29, 264. A mistake by the issuing bank regarding the available funds of a subscriber's check delayed the receipt of $900 which was compounded by a $5.00 bank fee. The mistake was rectified and the funds were transferred from escrow into the company operating account on February 4, 2008 raising our total liabilities and equity to $30,169.

As of February 29, 2008, a total of 3,340,000 shares have been issued to 26 shareholders -- 2,340,000 to our existing stockholder, who is our sole officer and director and 1,000,000 to friends and family. The shares were restricted securities, as that term is defined in Rule 144 of the Rules and Regulations of the SEC promulgated under the Act. Under Rule 144, such shares can be publicly sold, subject to volume restrictions and certain restrictions on the manner of sale, commencing one year after their acquisition.

Finally, as a result of the transfer of funds to the operating account, we began product development once the preparation and filing of corporate taxes as well as the Company's first 10K was completed.

TRENDS

Because of the increasing foreclosures and unemployment, tightening credit and the recession, trends are very positive for the company.

Foreclosure activity has continued to climb nationwide in 2009. One in 84 American housing units received at least one foreclosure filing in the first half of the year, according to RealtyTrac, the largest accumulator of foreclosure data nationwide.

One in 84 translates into total of 1,905,723 foreclosure filings — default notices, auction sale notices and bank repossessions — reported on 1,528,364 American properties in the first six months of 2009. That marks a 9.46 percent increase in foreclosure filings from the earlier six month-period; and 14.66 percent increase over the first half of 2008.

Homeowners who are falling behind on their payments - rose to the highest levels in 37 years in the last three months of 2008. Statistics showed 1.5 million homes or 3 percent of all households were seriously delinquent nationwide in the fourth quarter of last year. Almost 2 percent of all U.S. households were in some stage of foreclosure during 2008, up from just over 1 percent the year before. Add the home loans that were past due and the figure reaches nearly 11 percent for 2008.

The pace of foreclosures is expected to remain high this year. Much of the new foreclosure activity may be due more to growing unemployment than continuing fallout from subprime and adjustable-rate loans. But with home prices falling, many owe more than their house is worth, eliminating the option of conventional refinancing and raising the risk of foreclosure.

Average house prices fell by 18% in 2008 and the decline continues. News reports in the late spring noted a leveling-off in the decline. In reality, the seasonally-adjusted version of the Case Shiller national home price index revealed a continued month-to-month decline. And the year-over-year decline remains around 17 percent.

According to Equifax and Moody’s Economy.com, 24% of homeowners had mortgage debt that exceeded the values of their homes at the end of June while 32% of homeowners with mortgages don’t have equity left in their homes. Deutsche Bank predicts the percentage of U.S. homeowners who owe more than their house is worth will nearly double to 48 percent in 2011.

Overall, 16 million homeowners are “upside-down” on their mortgages, up from 10 million, one year ago. Nearly 10% of have mortgage debt with loan-to-value ratios of at least 125%, and roughly half of those homes have loan-to-value ratios of 150% or more. As a consequence, the number of foreclosures should continue to rise.

The volume of calls fielded by the industry alliance-sponsored Hope Now (1.1 million in 2008) indicates that some homeowners may not be getting the in-depth counseling they need to consider all of their options. Lenders report that some borrowers in trouble have ignored letters and phone calls intended to initiate a discussion about new mortgage terms. While part of that may be due to borrowers being unable to admit defeat or deal with bad news, a significant part (up to 45%) could be due to marginal reading skills.

There is the stigma of not being able to read well. People with poor literacy skills often are ashamed of their problem ..Their market interactions are driven by the need to preserve self-esteem and dignity. Thus, when facing foreclosure, many financially strapped homeowners don't respond to calls or letters from their lenders. An overwhelming majority of respondents in a Freddie Mac survey said they didn't call the company servicing their loan because they didn't think they had any options that could help them avoid losing their home.

In reality, the 45% figure could be low. A major literacy gap occurs along racial lines. White adults scored 50 points higher on prose proficiency on the National Adult Literacy Survey than did black adults (287 vs. 237). In turn, black adults scored 21 points higher than Hispanic respondents (237 vs. 216).

In the first part of the recession, those most in danger of facing foreclosure are the subprime borrowers. According to the New York Times, subprime lending occurred at a higher rate in the black and Hispanic communities. Among subprime borrowers with similar credit ratings, blacks and Hispanics were 30 percent more likely than whites to be charged the highest interest and thus are likely to be in greater danger of foreclosure.

While risk and credit scores may be a primary factor, lower-income households also are charged higher prices because their low general and financial literacy levels make effective product searches difficult and expose them to seller abuse. Low incomes are highly, and increasingly, correlated with low education levels, and these low levels are closely associated with low general and financial literacy levels.

Consumers who have difficulty reading are unlikely to understand the fine legal print in ads and contracts. Those with limited mathematical skills often do not understand percentages that express the key cost and yield indicators, respectively, for credit and savings products. For example, research shows that only about three-fifths of consumers understand and use the most important index of credit costs, the annual percentage rate or APR, and that non-users tend to have low incomes and education levels.

Lower-income households with low literacy levels are especially vulnerable to seller abuse. Consumers who do not understand percentages may find it impossible to understand the costs of mortgage, home equity, installment, credit card, payday, and other high-cost loans. Equally, the many disclosures required by mortgage transactions are often misunderstood by those with limited financial literacy, and obfuscated by brokers and lenders who have either failed to explain key loan terms and disclosures to borrowers or have actively misrepresented or concealed these terms. Individuals who do not read well may find it difficult to check whether the oral promises of salespersons were written into contracts. And, those who do not write fluently are limited in their ability to resolve problems by writing to merchants or complaint agencies.

In 2009, foreclosure statistics are starting to shift. More and more homeowners entering the foreclosure process are doing so as a result of joblessness. Once again blacks and Hispanics are more likely to be or become jobless. As the national jobless rate has risen to 9.5 percent, the rate among blacks has reached 15 percent and the rate among Hispanics is 12.7 percent midway through 2009.

Rising joblessness looks to continue as The Federal Reserve has raised its fourth-quarter forecast to 10.1% and expects the jobless rate to be higher than anticipated through 2011. Once again, the number of foreclosures should continue to rise.

Since the costs of foreclosure can eat up 25% or more of the value of a loan, the losses could be enormous if a large fraction of these borrowers walk away which also put pressure on the economy. If the economy worsens, and more people lose their jobs, that could increase the number of families at risk of losing their homes and increase the need for credit repair. The reason: tighter lending standards make cash harder to come by. And as the credit squeeze has made it more difficult to obtain property-based lines of credit, American consumers are turning to their credit cards as an alternative.

At the same time, consumers are increasingly finding themselves forced to deal with higher interest rates and other fees as credit card companies respond to the fact that consumer debt is climbing, along with delinquency rates
.
In 2007, consumer borrowing increased by an annual rate of 3.3 percent. In 2008, borrowing slowed and the nationwide delinquency rate (payments 90 days late or more) fell to 1.21 percent in the fourth quarter from 1.36 percent the year before.
But as joblessness rises, TransUnion expects more Americans to fall behind. It predicts that delinquency rates could approach 1.8 percent by the end of 2009.

And that may hold true. Late payments of any kind on credit cards rose during most of 2008 before sharply accelerating in the fourth quarter. In 2009, the delinquency rate of cardholders at least 30 days late on payments started to decline in March and it has continued to do so for four months.

Even with the decline in late payments, many people are going to need help with credit repair to either be able to use their credit cards again or get new ones once they’re dropped from their existing providers

During the past two years, credit card debt has ballooned rapidly in parts of the nation where the economy is particularly weak, Bank of America executives said credit card delinquencies in California, Florida, Arizona, and Nevada—states with high foreclosure rates—increased five times as fast as in other states, suggesting that consumers struggling with their mortgage debt are also finding their credit card bills hard to pay.

It is in these states where Bibb Corporation will do the initial testing of its commercials.

The trends referenced above reflect conditions at the end of June 2009. The Federal Reserve and the US Government in general are doing everything they can to prevent the country to stem the pace of foreclosures and bankruptcies.

Whether or how soon they are successful cannot be determined.

Early indications are not good. While 1.5 million homes have gone into foreclosure in 2009 as of June 30, just 235,247 borrowers have been granted trial loan modifications under the Obama plan since its inception.

RESULTS OF OPERATIONS

As the company is in the development stage, no products have been produced yet. As a consequence, there were no revenues.

EXPENSES

General and Administrative.

General and administrative expenses consist primarily of legal, accounting and other professional service fees. General and administrative expenses totaled $6,032 for the three months ended June 30, 2009.

INCOME TAXES

During the three months ended June 30, 2009, the Company recorded a loss from continuing operations of $6,032. Adding that to the previous losses that have been carried forward, gives the company a total loss carry forward of $44,279. As the company expects losses for the rest of the year, the tax benefit will probably be used for 2010.

LIQUIDITY AND CAPITAL RESOURCES

On December 31st 2007, we successfully completed the offering of 1,000,000 shares, raising $30,000 in the process. The $30,000 was transferred to the company operating account on February 4, 2008.

During the three months ended June 30, 2009, the company had a net cash outflow of $6,032. The majority of the costs were for professional fees.

We have an accumulated deficit since inception of $44,279 and our auditors have expressed substantial doubt about our ability to continue as a going concern unless we are able to generate revenues.

We are relying primarily on the monies raised in the offering to pursue the development, setup and marketing of our products and there is no guarantee we will be successful in completing our proposed business plans.

Management believes the Company’s funds are sufficient to provide for its short term projected needs for operations. However, the Company may decide to sell additional equity or increase its borrowings in order to fund increased product development or for other purposes.

We have never had any discussions with any possible acquisition candidate, nor have we any intention of doing so.

We do not expect to purchase any real estate and do not own any to sell.

We have no off-sheet balance arrangements or obligations or other interests that could affect finances or operations.

TIME TO COMPLETE PRODUCT DEVELOPMENT
— — — (355)

Other comprehensive income (loss)

— — — — — — (85,397) 22,329 (63,068)

Balance, July 31, 2015

18,387,270 $18,387 (39,333) $(132,371) $180,932,216 $(168,917,096) $(315,312) $(357,526) $11,228,298

See accompanying notes to consolidated financial statements (unaudited).

6

Ocean Power Technologies, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended July 31,	
	2015	**2014**
Cash flows from operating activities:		
Net loss	$(4,114,644)	$(3,348,831)
Adjustments to reconcile net loss to net cash used in operating activities		
Foreign exchange (gain) loss	(18,959)	5,658
Depreciation and amortization	28,545	243,672
Compensation expense related to stock option grants & restricted stock	145,426	12,639
Changes in operating assets and liabilities:		
Accounts receivable	(20,411)	308,731
Unbilled receivables	18,214	(454,222)
Other current assets	(236,828)	(378,606)
Other noncurrent assets	(9,060)	(46,816)
Accounts payable	(29,212)	153,812
Accrued expenses	1,118,561	800,888
Advanced payment from ARENA		527,982
Unearned revenues		(992,447)
Net cash used in operating activities	(3,118,368)	(3,167,540)
Cash flows from investing activities:		
Purchases of marketable securities		(11,747,042)
Maturities of marketable securities	75,000	8,996,566
Restricted cash	27,334	(255,000)
Purchases of equipment	(9,223)	(1,041)
Net cash provided by (used in) investing activities	93,111	(3,006,517)
Cash flows from financing activities:		
Common stock issuance costs		641
Repayment of debt	(25,000)	(25,000)
Acquisition of treasury stock	(355)	(1,309)
Net cash used in financing activities	(25,355)	(25,668)
Effect of exchange rate changes on cash and cash equivalents	(47,869)	(31,284)
Net decrease in cash and cash equivalents	(3,098,481)	(6,231,009)
Cash and cash equivalents, beginning of period	17,335,734	13,858,659
Cash and cash equivalents, end of period	$14,237,253	$7,627,650
Supplemental disclosure of noncash investing and financing activities:		
	$	$3,413

Capitalized purchases of equipment financed through accounts payable and accrued expenses

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 is developing and is seeking to commercialize proprietary systems that generate electricity by harnessing the renewable energy of ocean waves. The Company markets its PowerBuoys 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 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, 2015 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 July 31, 2015, the Company had an accumulated deficit of $168.9 million. As of July 31, 2015, the Company’s cash and cash equivalents and marketable securities balance was approximately $14.2 million. Based upon the Company’s cash and cash equivalents and marketable securities balance as of July 31, 2015, the Company believes that it will be able to finance its capital requirements and operations into the quarter ending October 31, 2016. In addition, as of July 31, 2015, the Company's restricted cash balance was approximately $0.5 million.

On January 14, 2015, we received a deficiency letter from the Listing Qualifications Department (the "Staff") of The NASDAQ Stock Market notifying us that, for the last 30 consecutive business days, the bid price of our common stock had closed below the minimum $1.00 per share requirement for continued inclusion on The NASDAQ Global Market pursuant to NASDAQ Listing Rule 5450(a) (1) (the "Rule"). In accordance with Nasdaq Listing Rule 5810(c) (3) (A), the Company was provided an initial period of 180 calendar days, or until July 13, 2015, to regain compliance with the Rule.

On July 14, 2015, we were granted an additional 180 day, or until January 11, 2016, compliance period and, as required, transferred the listing of our common stock from The NASDAQ Global Market to The NASDAQ Capital Market. If, at any time before January 11, 2016, the bid price of our common stock closes at $1.00 or more for a minimum of 10 consecutive business days as required under Listing Rule 5810(c) (3) (A), the Staff will provide written notification to us that it complies with the Rule, unless the Staff exercises its discretion to extend this 10 day period pursuant to Listing Rule 5810(c) (3) (F).

If our common stock is delisted from NASDAQ, our ability to raise capital through public offerings of our securities and to finance our operations could be adversely affected. See additional risk factors under "Item 1A – Risk Factors" in our Annual Report on Form 10-K for the year ended April 30, 2015. We also believe that delisting would likely result in decreased liquidity and/or increased volatility in our common stock, and could harm our business and future prospects. In addition, we believe that, if our common stock is delisted, our stockholders would likely find it more difficult to obtain accurate quotations as to the price of the common stock and it may be more difficult for stockholders to buy or sell our common stock at competitive market prices, or at all. Our Board of Directors has approved and we are seeking stockholder approval of a proposed reverse stock split of our common stock in the range of 1:5 to 1:12 (but subject to the discretion of our Board of Directors to effectuate the reverse stock split or not) at our upcoming Annual Meeting of Stockholders, scheduled to be held October 22, 2015, which we believe would permit us to regain compliance with the bid price rule. However, we cannot provide you with any assurance that the proposed reverse stock split will be approved by our stockholders and be effectuated, or that we will be able to regain compliance with NASDAQ's continued listing requirements. If we fail to regain compliance with the minimum bid price rule or otherwise maintain the standards required now or in the future by NASDAQ, our common stock will likely be delisted from NASDAQ.

Ocean Power Technologies, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Unaudited)

The Company continues 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 continue to implement our business strategy, the Company requires additional equity and/or debt financing. We do not currently have any committed sources of debt or equity financing, and we cannot assure you that additional equity and/or debt financing will be available to the Company as needed on terms acceptable to us, or at all. Historically, the Company has raised capital through securities sales in the public capital markets. If sufficient additional financing is not obtained when needed, the Company may be required to further curtail or limit operations, product development costs, and/or selling, general and administrative activities in order to reduce our cash expenditures to a sustainable level. This could cause us to be unable to execute our business plan, take advantage of future opportunities and may cause us to scale back, delay or eliminate some or all of our product development activities.

In January 2013, the Company 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, the Company established an at the market offering facility (the "ATM Facility") with Ascendiant Capital Markets, LLC ("Ascendiant") via an at the market offering agreement (the "ATM Agreement") Under the ATM Agreement, the Company offered and sold shares of our common stock from time to time through Ascendiant, acting as sales agent, in ordinary brokerage transactions at prevailing market prices. Under the ATM Facility, during fiscal 2014, the Company 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, the Company entered into an Underwriting Agreement with Roth Capital Partners, LLC on April 4, 2014, with respect to the issuance and sale in an underwritten Public Offering of an aggregate of 3,800,000 shares of our common stock at a price of $3.10 per share. The Underwriting Agreement contained customary representations, warranties and agreements by the Company, customary conditions to closing, indemnification obligations, and a 90 day lock-up period that limited transactions in our common stock by the Company. Net proceeds from the Public Offering, which was completed in early April 2014, were approximately $10,828,000.

Form S-3 limits the aggregate market value of securities that we are permitted to offer in any 12-month period under our S-3 Shelf, whether under the ATM Agreement, the Underwriting Agreement or otherwise, to one third of our public float. In 2014, we fully utilized our available transaction capacity to sell securities using the S-3 Shelf in the

ATM offering. However, we regained the ability to utilize the S-3 Shelf as we entered fiscal 2016. Of the $40 million of securities registered under the S-3 Shelf, approximately $18.2 million of securities remains available for issuance and sale under the S-3 Shelf. However, based on our market capitalization of $9.9 million at July 31, 2015, we would be further limited in our ability to sell securities under the S-3 Shelf during a 12-month period to approximately $3.3 million. During fiscal 2015 and the three months ended July 31, 2015, we did not sell any securities under or receive any proceeds from the sale of securities under the S-3 Shelf.

The sale of additional equity or convertible securities could result in dilution to our stockholders. If additional funds are raised through the issuance of debt securities or preferred stock, these securities could have rights senior to those associated with our common stock and could contain covenants that would restrict our operations. Financing may not be available in amounts or on terms acceptable to us, or at all. If we are unable to obtain financing when required, we may be required to reduce the scope of our operations, current projects, planned product development and marketing efforts, and/or selling, general and administrative activities which could harm our future opportunities, financial condition and operating results.

(2) Summary of Significant Accounting Policies

(a) Consolidation

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 July 31, 2015, there was one noncontrolling interest, consisting of 11.8% of the Company's Australian subsidiary, Ocean Power Technologies (Australasia) Pty. Ltd. ("OPTA"). On September 7, 2015, the Company repurchased the non-controlling interest in OPTA for nominal consideration and now has 100% ownership of 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 July 31, 2015, there were no such entities.

Ocean Power Technologies, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Unaudited)

(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; valuation allowances for receivables and deferred income tax assets; estimated costs to complete 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.

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.

Some 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 and a money market 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.

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

	July 31, 2015	**April 30, 2015**
Checking and savings accounts	$4,687,411	$4,614,400
Overnight repurchase account	9,549,842	12,721,334
	$14,237,253	$17,335,734

(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 July 31, 2015 and April 30, 2015, 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 two 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. As of July 31, 2015, there was €278,828 ($305,372) 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 $125,000 is outstanding at July 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.

In addition, the Company previously had a letter of credit outstanding 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 fiscal 2015, the Company completed the removal activity and reduced the letters of credit from $1,200,000 to $0.

Restricted cash includes the following:

	July 31, 2015	**April 30, 2015**
Current:		
NJBPU agreement	$100,000	$100,000
Barclay's Bank Agreement	336,227	338,561
	$436,227	$438,561

	July 31, 2015	**April 30, 2015**
Long Term:		
NJBPU agreement	$25,000	$50,000
	$25,000	$50,000

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

(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 July 31,	
	2015	**2014**
Foreign exchange gain (loss)	$18,959	$(5,658)

Foreign currency denominated certificates of deposit and cash accounts:

	July 31, 2015	**April 30, 2015**
Restricted	$336,227	$338,561
Unrestricted	1,100,424	1,100,371
	$1,436,651	$1,438,932

(h) Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives (three to seven years) of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the remaining lease term. Expenses for maintenance and repairs are charged to operations as incurred. Property and equipment is also 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.

(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.

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 July 31,	
Customer	**2015**	**2014**
US Department of Energy	100 %	7 %
European Union (WavePort project)		62 %
Mitsui Engineering & Shipbuilding		31 %
	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.

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

(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 1,885,614 for the three months ended July 31, 2015, and 1,087,649 for the three months ended July 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

In May 2014, the Financial Accounting Standards Board (FASB) issued a new revenue recognition standard entitled *"Revenue from Contracts with Customers."* The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows from a contract with a customer. The standard is effective for annual reporting periods beginning after December 15, 2017. Earlier application as of the original date is optional; however, the Company will adopt the standard beginning May 1, 2018. The standard allows for either "full retrospective" adoption, meaning the standard is applied to all periods presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements. The Company is currently assessing which method it will choose for adoption, and is evaluating the impact of the adoption of this new accounting standard on it consolidated results of operations and financial position.

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. The Company is evaluating the effect ASU 2014-15 will have on its consolidated financial statements and disclosures and has not yet determined the effect of the standard on its ongoing financial reporting at this time.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs,* which intends to simplify the presentation of debt issuance costs. This ASU is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. It is effective for all other entities for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. Currently ASU 2015-03, would not have an effect on the Company's consolidated financial statements and disclosures. The Company will evaluate the effect of ASU 2015-03 for future periods, as applicable.

(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:

	July 31, 2015	**April 30, 2015**
Certificate of Deposit and US Treasury obligations	$ —	$75,000

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

(4) Balance Sheet Detail

	July 31, 2015	April 30, 2015
Accrued expenses		
Project costs	$1,620,794	$867,771
Contract loss reserve	198,819	198,819
Employee incentive payments	748,032	529,274
Accrued salary and benefits	472,270	468,366
Legal and accounting fees	367,854	274,656
Other	218,178	168,233
	$3,625,947	$2,507,119

(5) Related Party Transactions

	Three Months Ended July 31,	
	2015	2014
Related party consulting expense	$52,667	$113,813

In April 2014, the Company entered into an Executive Transition Agreement with George W. Taylor, who was formerly employed by the Company as Executive Vice Chairman and served on the Company's Board of Directors prior to that date. Under this agreement, Dr. Taylor received fifteen months of consulting fees at a monthly rate of $20,000 (this period terminated on July 18, 2015). For the three months ended July 31, 2015 and 2014, the Company recorded $52,667 and $60,000, respectively, in expense relating to this agreement.

In June 2014, the Company entered into an agreement with David L. Keller, a non-executive director of the Company, under which Mr. Keller served as our Interim Chief Executive Officer effective as of the June 9, 2014 termination of our former Chief Executive Officer, Charles F. Dunleavy through January 20, 2015. Under this agreement, Mr. Keller received a consulting fee of $1,500 per day of services provided to the Company. Effective January 20, 2015, Mr. George H. Kirby was appointed our President, Chief Executive Officer and a Director of the Company and Mr. Keller resigned as Interim CEO. Mr. Keller has continued to serve as a non-executive director of the Company. For the three months ended July 31, 2015 and 2014, the Company recorded $0 and $53,813, respectively, in expense relating to Mr. Keller's agreement.

(6) Debt

The Company was awarded a recoverable grant totaling $500,000 between April 2009 and June 2010 from the NJBPU under the Renewable Energy Business Venture Assistance Program. Under the terms of this agreement, the amount to be repaid is a fixed monthly amount of principal only, repayable over a five-year period beginning in November 2011. The terms also required the Company to assign to the NJBPU a certificate of deposit in an amount equal to the outstanding grant balance. See Note 2(f).

	July 31, 2015	**April 30, 2015**
Total debt	$125,000	$150,000
Current portion of long-term debt	(100,000)	(100,000)
Long-term debt	$25,000	$50,000

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

(7) Deferred Credits Payable

During the year ended April 30, 2001, in connection with the sale of common stock to an investor, the Company received $600,000 from the investor in exchange for an option to purchase up to 500,000 metric tons of carbon emissions credits generated by the Company during the years 2008 through 2012, at a 30% discount from the then-prevailing market rate. If the Company received emission credits under applicable laws and failed to sell to the investor the credits up to the full amount of emission credits covered by the option, the investor was entitled to liquidated damages equal to 30% of the aggregate market value of the shortfall in emission credits (subject to a limit on the market price of emission credits). Under the terms of the agreement, if the Company did not become entitled under applicable laws to the full amount of emission credits covered by the option by December 31, 2012, the Company was obligated to return the option fee of $600,000, less the aggregate discount on any emission credits sold to the investor prior to such date. In December 2012, the Company and the investor agreed to extend the period for the sale of emission credits until December 31, 2017. As of July 31, 2015, the Company has not generated any emissions credits eligible for purchase under the agreement. The $600,000 has been classified as a noncurrent liability as of July 31, 2015.

(8) Stock-Based Compensation

The aggregate stock-based compensation expense related to all stock-based transactions recorded in the consolidated statements of operations was approximately $145,000 and $13,000 for the three months ended July 31, 2015 and 2014, respectively. The three months ended July 31, 2014, reflected lower stock-based compensation costs relating primarily to the termination for cause of Charles F. Dunleavy, Chief Executive Officer, on June 9, 2014. In accordance with the Company’s 2001 Stock Plan and the 2006 Stock Incentive Plan, all vested and unvested equity compensation grants were forfeited by Mr. Dunleavy because of his termination for cause by the Company.

(a) Stock Options

Valuation Assumptions for Options Granted During the Three Months Ended July 31, 2015 and 2014

The fair value of each stock option granted, for both service-based and performance-based vesting requirements, during the three months ended July 31, 2015, was estimated at the date of grant using the Black-Scholes option pricing model, assuming no dividends and using the weighted average valuation assumptions noted in the following table. The risk-free rate is based on the US Treasury yield curve in effect at the time of grant. The expected life (estimated period of time outstanding) of the stock options granted was estimated using the "simplified" method as permitted by the SEC's Staff Accounting Bulletin No. 107, *Share-Based Payment.* Expected volatility was based on the Company's historical volatility for the three months ended July 31, 2015.

	Three Months Ended July 31, 2015	**2014**
Risk-free interest rate	1.6 %	—
Expected dividend yield	0.0 %	—
Expected life (in years)	5.5	—
Expected volatility	85.74 %	—

The above assumptions were used to determine the weighted average per share fair value of $0.41 for stock options granted during the three months ended July 31, 2015. There were no stock options granted during the three months ended July 31, 2014.

A summary of stock options under our stock incentive plans is as follows:

	Shares Underlying Options	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term (In Years)**
Outstanding as of April 30, 2015	1,083,952	$ 4.32	5.7
Forfeited	(72,737)	6.34	
Exercised	—	—	
Granted	51,388	0.58	
Outstanding as of July 31, 2015	1,062,603	4.00	5.6
Exercisable as of July 31, 2015	819,481	4.86	4.7

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

As of July 31, 2015, the total intrinsic value of outstanding and exercisable options was $0. As of July 31, 2015, approximately 243,000 additional options are expected to vest in the future, which options had no intrinsic value and a weighted average remaining contractual term of 8.6 years. There was approximately $71,000 and $1,000 of total recognized compensation cost related to stock options for the three months ended July 31, 2015 and 2014, respectively. As of July 31, 2015, there was approximately $110,000 of total unrecognized compensation cost related to non-vested stock options granted under the plans. This cost is expected to be recognized over a weighted-average period of 1.9 years. The Company normally issues new shares to satisfy option exercises under these plans. Stock options outstanding as of July 31, 2015 included 115,786 stock options subject to performance-based vesting requirements.

(b) Restricted Stock

Compensation expense for unvested restricted stock is generally recorded based on the market value of the restricted stock on the date of grant and recognized ratably over the associated service and performance period. Of the 823,011 unvested shares of restricted stock, there are different vesting criteria and compensation expense methods. There are 342,012 unvested restricted shares that vest based on service criteria. The compensation expense is recorded based on the market value on the date of grant and is recognized ratably over the associated service period. There are 15,999 unvested restricted shares that vest based on personal and Company performance goals and the compensation expense is recorded based on the market value on the date of grant and is recognized ratably over the associated performance period. There are 104,000 unvested restricted shares for a non-executive director of the Company. This grant was issued pursuant to the Company's Amended and Restated 2006 Stock Incentive Plan and will vest immediately upon the approval of the Ocean Power Technologies, Inc. 2015 Omnibus Incentive Plan by our stockholders at the 2015 Annual Meeting. In the event that the stockholder approval is not obtained or is otherwise deemed unnecessary, the Board will determine such other vesting schedule or other form(s) of equivalent compensation as may be necessary or appropriate. There are 361,000 unvested restricted shares where the achievement of vesting requirement for performance-based grants is tied to the Company's total shareholder return (TSR) relative to the total shareholder return of three alternative energy Exchange Traded Funds as measured over a specific performance period. No vesting of the relevant shares will occur in instances where the Company's TSR for the relevant period is below 80% of the designated funds' group. However, additional opportunities to vest some or all of a portion of the shares in a subsequent period may occur. Compensation expense for these awards with market-based vesting is calculated based on the estimated fair value as of the grant date utilizing a Monte Carlo simulation model and is recognized over the service period on a straight-line basis.

A summary of non-vested restricted stock under our stock incentive plans is as follows:

	Number of Shares	Weighted Average Price per Share
Issued and unvested at April 30, 2015	840,841	$ 0.73
Granted	13,000	0.55
Forfeited	(13,499)	1.02
Vested	(17,331)	2.41
Issued and unvested at July 31, 2015	823,011	$ 0.69

There was approximately $74,000 and $12,000 of total recognized compensation cost related to restricted stock for the three months ended July 31, 2015 and 2014, respectively. As of July 31, 2015, there was approximately $289,000 of total unrecognized compensation cost related to un-vested restricted stock granted under our plans. This cost is expected to be recognized over a weighted average period of 2.1 years.

(c)Treasury Stock

During the three months ended July 31, 2015 and 2014, 675 and 806 shares, respectively, of common stock were purchased by the Company from employees to pay taxes related to the vesting of restricted stock.

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

(9) Commitments and Contingencies

(a) Litigation

Shareholder Litigation:

The Company and its former Chief Executive Officer Charles Dunleavy are defendants in consolidated securities class action lawsuits pending in the United States District Court for the District of New Jersey captioned In Re: Ocean Power Technologies, Inc. Securities Litigation, Civil Action No. 14-3799 (FLW) (LHG). The consolidated actions are Roby v. Ocean Power Technologies, Inc., et al., Case No. 3:14-cv-03799-FLW-LHG; Chew, et al. v. Ocean Power Technologies, Inc. et. al., Case No 3:14-cv-03815; Konstantinidis v. Ocean Power Technologies, Inc., et al., Case No. 3:14-cv-04015; and Turner v. Ocean Power Technologies, Inc., et al., Case No. 3:14-cv-04592. On March 17, 2015, the court entered an order appointing Five More Special Situation Fund Ltd. as the lead plaintiff. On May 18, 2015, the lead plaintiff filed an amended class action complaint. The amended class action complaint alleges claims for violations of sections 12(a) (2) and 15 of the Securities Act of 1933 and for violations of §10(b) and §20(a) of the Securities Exchange Act of 1934 arising out of public statements relating to a now terminated agreement between Victorian Wave Partners Pty. Ltd. (VWP) and the Australian Renewable Energy Agency (ARENA) for the development of a wave power station (the "VWP Project"). The amended complaint seeks unspecified monetary damages and other relief. On July 17, 2015, defendants filed a motion to dismiss the amended class action complaint. Lead plaintiff filed a response to the motion on August 31, 2015.

On July 10, 2014, the Company received a demand letter ("Demand Letter") from an attorney claiming to represent a shareholder demanding that the Company's Board of Directors establish an independent committee to investigate and remedy alleged breaches of fiduciary duties by the Board of Directors and management relating to the VWP Project. The Company is continuing to evaluate the Demand Letter but also invited the attorney to participate in the Section 220 Demand process discussed below. On February 6, 2015, the Company produced documents to the attorney pursuant to a confidentiality agreement in connection with the Section 220 Demand process.

The Company also received a letter, dated August 19, 2014, (the "Section 220 Demand") from another attorney claiming to represent a shareholder demanding, pursuant to 8 Del. C. §220, to inspect certain books and records of the Company relating to the VWP Project and the termination of Charles Dunleavy as the Company's Chief Executive Officer. The Company has received two additional Section 220

Demands relating to the same subject matter from attorneys claiming to represent two different shareholders. The Company has responded in writing to the three Section 220 Demands and on February 6, 2015 produced documents to each of the attorneys pursuant to confidentiality agreements.

The Company and certain of its current and former directors and officers are defendants in a derivative lawsuit filed on March 18, 2015 in the United States District Court for the District of New Jersey captioned Labare v. Dunleavy, et. al., Case No. 3:15-cv-01980-FLW-LHG. The derivative complaint alleges claims for breach of fiduciary duty, abuse of control, gross mismanagement and unjust enrichment relating to the now terminated agreement between VWP and ARENA referred to above. The derivative complaint seeks unspecified monetary damages and other relief. On May 18, 2015, the plaintiff and all the defendants agreed to stay the derivative lawsuit pending action in the consolidated class action securities litigation discussed above (namely, a court order denying any motions to dismiss the commencement of discovery, a joint request to lift the stay, or further order of the court).

On July 10, 2015, a second derivative lawsuit, captioned Rywolt v. Dunleavy*, et al.,* Case No. 3:15-cv-05469, was filed by another shareholder against the same defendants in the United States District Court for the District of New Jersey alleging similar claims for breach of fiduciary duty, gross mismanagement, abuse of control, and unjust enrichment relating to the now terminated agreement between VWP and ARENA. The *Rywolt* complaint also seeks unspecified monetary damages and other relief. The case is still in its preliminary stage and defendants have not yet responded to the complaint. On September 2, 2015, the plaintiffs in the Labare and Rywolt derivative lawsuits filed an unopposed motion to consolidate the two actions. The Court has not yet ruled on that motion.

Employment Litigation:

On June 10, 2014, the Company announced that it had terminated Charles Dunleavy as its Chief Executive Officer and as an employee of the Company for cause, effective June 9, 2014, and that Mr. Dunleavy had also been removed from his position as Chairman of the Board of Directors. On June 17, 2014, Mr. Dunleavy wrote to the Company stating that he had retained counsel to represent him in connection with an alleged wrongful termination of his employment. On July 28, 2014, Mr. Dunleavy resigned from the Board and the boards of directors of the Company's subsidiaries. The Company and Mr. Dunleavy have agreed to suspend his alleged employment claims pending resolution of the shareholder litigation.

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

We have not established any provision for losses relating to these claims and pending litigation. Due to the stages of these proceedings, and considering the inherent uncertainty of these claims and litigation, at this time we are not able to predict or reasonably estimate whether we have any possible loss exposure or the ultimate outcome of these claims.

(b) Regulatory Matters:

SEC Subpoena

On February 4, 2015, the Company received a subpoena from the Securities and Exchange Commission ("SEC") requesting information related to the VWP Project. The Company has provided information to the SEC in response to that subpoena and continues to cooperate with the SEC. We are unable to predict what action, if any, might be taken by the SEC or its staff as a result of this investigation or what impact, if any, the cost of responding to the SEC's investigation or its ultimate outcome might have on our financial position, results of operations or liquidity. We have not established any provision for losses relating to this matter.

Spain IVA (sales tax)

In June 2012, the Company received notice that the Spanish tax authorities are inquiring into its 2010 IVA (value-added tax) filing for which the Company benefitted from the offset of approximately $250,000 of input tax. The Company believes that the inquiry will find that the tax credit was properly claimed and, therefore, no liability has been recorded. The Company issued two letters of credit in the amount of €278,828 ($305,372) at the request of the Spanish tax authorities. This is a customary request during the inquiry period. In November 2014 and March 2015, the Company received partial refunds of the amount under dispute and continues to expect that this matter will be resolved in the Company's favor.

(10) Income Taxes

The Company did not recognize any consolidated income tax benefit (expense) for the three month periods ended July 31, 2015 and 2014. The Company has recorded a valuation allowance to reduce its net deferred tax asset to an amount that is more likely than not to be realized in future years. Accordingly, the benefit of the net operating loss that would have been recognized was offset by changes in the valuation allowance.

During the three months ended July 31, 2015, the Company had no material changes in uncertain tax positions.

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

(11) Operating Segments and Geographic Information

The Company's business consists of one segment as this represents management's view of the Company's operations. The Company operates on a worldwide basis with one operating company in the US and operating subsidiaries in the UK and in Australia. Revenues and expenses are generally attributed to the operating unit that bills the customers.

Geographic information is as follows:

	North America	**Europe**	**Asia and Australia**	**Total**
Three months ended July 31, 2015				
Revenues from external customers	$105,666	$—	$—	$105,666
Operating loss	(4,216,214)	(87,723)	(85,796)	(4,389,733)
Three months ended July 31, 2014				
Revenues from external customers	1,540,528	$—	$—	$1,540,528
Operating loss	(2,582,613)	(392,868)	(494,072)	(3,469,553)
July 31, 2015				
Long-lived assets	244,113	474	—	244,587
Total assets	14,920,672	494,158	486,090	15,900,920
April 30, 2015				
Long-lived assets	262,895	913	—	263,898
Total assets	$17,899,273	$597,796	$373,817	$18,870,886

Item 2. ***MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

The following discussion and analysis should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q. Some of the information contained in this management's discussion and analysis or set forth elsewhere in this Form 10-Q, including information with respect to our plans and strategy for our business, pending and threatened litigation and our liquidity includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" section of our Annual Report on Form 10-K for fiscal 2015 for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. References to a fiscal year in this Form 10-Q refer to the year ended April 30 of that year (e.g., fiscal 2015 refers to the year ended April 30, 2015).

Overview

We are developing and are seeking to commercialize proprietary systems that generate electricity by harnessing the renewable energy of ocean waves. Our PowerBuoy® systems use proprietary technologies to convert the mechanical energy created by the rising and falling of ocean waves into electricity. Since fiscal 2002, government agencies have accounted for a significant portion of our revenues, which were largely for the support of our product development efforts. Our goal is that an increased portion of our revenues will be from the sale of products and maintenance services, as compared to revenue from grants to support our product development efforts. As we continue to advance our proprietary technologies, we expect to have a net use of cash in operating activities unless or until we achieve positive cash flow from the planned commercialization of products and services.

We plan to market our autonomous PowerBuoy, which is designed to generate power for use independent of the power grid, to customers that require electricity in remote locations. We believe there are a variety of potential applications for our autonomous PowerBuoy, including ocean observing, offshore wind, defense and security, oil and gas, communications and ocean aquaculture.

The development of our technology has been funded by capital we raised and by development engineering contracts we received starting in fiscal 1995. In fiscal 1996, we received the first of several research contracts with the US Navy to study the feasibility of wave energy. As a result of those research contracts, we entered into our first development and construction contract with the US Navy in fiscal 2002 under a project for the development and testing of our wave power systems at the US Marine Corps Base in Oahu, Hawaii. This project included the grid-connection of one of our utility-grade PowerBuoys at the Marine Corps Base. We generated our first revenue relating to our autonomous PowerBuoy from contracts with Lockheed Martin Corporation ("Lockheed Martin"), in fiscal 2003, and in fiscal 2004 we entered into our first development and construction contract with Lockheed Martin for the development and construction of a prototype autonomous PowerBuoy. Subsequently, we received a contract from the US Navy to test our autonomous PowerBuoy as an alternate power source for the Navy's Deep Water Active Detection System ("DWADS"). In fiscal 2012, an autonomous PowerBuoy was deployed for ocean trials off the coast of New Jersey under a contract from the US Navy under its Littoral Expeditionary Autonomous PowerBuoy ("LEAP") contract. The LEAP PowerBuoy, or APB350, incorporates a unique power take-off and on-board storage system, and is significantly smaller and more compact than those of our previous PowerBuoy designs. It is designed to provide persistent, grid-independent clean energy in remote ocean locations for a wide variety of maritime security, monitoring and other commercial applications. Also, in fiscal 2012, ocean trials of our PB150B1 PowerBuoy were conducted off the northeast coast of Scotland. Our larger-scale PB150B1 PowerBuoy structure and mooring system achieved independent certification from Lloyd's Register in December 2010. This certification confirms that the PB150B1 PowerBuoy design complies with the requirements of Lloyd's 1999 Rules and Regulations for the Classification of Floating Offshore Installations at Fixed Locations.

During fiscal 2012 through fiscal 2015, we worked on projects with partners including Mitsui Engineering & Shipbuilding ("MES") and the US Department of Energy, as well as on our WavePort project in Spain and a project in Oregon. We also continued development of our PowerBuoy technology as well as our next generation PowerBuoy technology. We are continuing to develop, test and refine our technology and our products and we do not yet have a commercial product offering.

During the three months ended July 31, 2015, we continued work under our contract with the US Department of Energy ("DOE") and continued to seek to implement the strategic pivot in our business plan initiated in fiscal 2015, focusing on the autonomous applications markets. We also deployed the PB40 PowerBuoy off the coast of New Jersey in late July 2015 and subsequently retrieved it approximately three weeks later. We were permitted to operate the PB40 at this location for a period of up to one year. Although the PB40 produced power throughout its deployment period, it began reporting unexpected performance data. This performance data indicated likely failures of components associated with the float braking system which would be activated during severe storm periods in order to prevent damage to the float. As a result, we decided to proactively retrieve the PB40 earlier than anticipated in order to avoid potential physical damage to the buoy structure in the event of a severe storm. During the limited deployment period, we were able to obtain performance data, which we will use to further understand the PB40's system performance and power generation in varying wave states. In addition, we were also able to use the deployment and retrieval of the PB40, 30 miles off of the coast of New Jersey, to validate our logistical processes associated with permitting, stage, towing and installation of the PB40 at its moored location. Because the PB40 is a legacy prototype device, it is not considered to be a critical part of our strategic pivot initiated in fiscal 2015 focusing on the autonomous applications market. Based on the limited information, we currently believe that the failed components are unique to the PB40, and therefore, we do not believe that their causes will materially impact the functionality of any of our other autonomous PowerBuoys currently under development. Costs associated with the retrieval of the PB40 will be reflected in our product development expenses in our quarterly results for the quarter ending October 31, 2015. We do not have current plans to redeploy the PB40, however, we do plan to investigate, analyze and assess the component failures of the PB40.

Our contract with the DOE is for development efforts that focus on further optimization of our modular PTO technology. In March 2015, we successfully completed a stage gate review which included project deliverables with the DOE. The DOE reviewed advancements related to Power Take Off design aspects such as reliability, cost take out, manufacturability and scalability. As a result we received an all “green” project status assessment from DOE reflecting their satisfaction with our overall project deliverables. Having met expectations as defined for said stage-gate review, we are currently executing the next stage of the contract. We also are continuing to develop solutions seeking to improve our products’ durability, reliability and reduce costs. For example, the original APB350 utilized a rack and pinion power takeoff (“PTO”) and successfully powered a US Navy radar and sonar system off the coast of New Jersey for nearly three months. The redesigned APB350 leverages our knowledge base from that design to incorporate new design features which we believe will improve its reliability and efficiency, including a redesigned PTO and a higher efficiency high voltage energy storage system (“ESS”). Subsequent to the end of the quarter, we deployed an iteration of this redesigned PowerBuoy APB350 at the end of August 2015. In addition, we are also designing the next generation APB350, which will be designed to permit the buoy to fit into a standard 40-foot shipping container, thereby reducing fabrication, transportation and deployment costs. We are also developing our newest PowerBuoy, the PB10. We currently expect that this buoy will be capable of delivering up to twenty times more power than the APB350 with a relatively small weight increase and similar transportability, but we are continuing to test its commercial viability and use testing data to refine our product offering. We believe this PowerBuoy would be attractive in applications where more power is needed, such as with oil and gas, defense and security, and micro-grid applications.

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 we established an ATM Facility with Ascendiant Capital Markets, LLC (“Ascendiant”) via an ATM Agreement in June 2013. Under the ATM Agreement, we offered and sold shares of our common stock from time to time through the Ascendiant, 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 with Roth Capital Partners, LLC on April 4, 2014, with respect to the issuance and sale in an underwritten public offering of an aggregate of 3,800,000 shares of our common stock at a price of $3.10 per share (the “public offering”) The Underwriting Agreement contained customary representations, warranties and agreements by us, customary conditions to closing, 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.

Form S-3 limits the aggregate market value of securities that we are permitted to offer in any 12-month period under our S-3 Shelf, whether under the ATM Agreement, the Underwriting Agreement or otherwise, to one third of our public float. In 2014, we fully utilized our available transaction capacity to sell securities using the S-3 Shelf in the ATM offering. However, we regained the ability to utilize Form S-3 as we entered fiscal 2016. Of the $40 million of securities registered under the S-3 Shelf, approximately $18.2 million remains available for issuance and sale under the S-3 Shelf. However, based on our market capitalization of $9.9 million at July 31, 2015, we would be further limited in our ability to sell securities under the S-3 Shelf during any 12-month period to approximately $3.3 million. During fiscal 2015 and the three months ended July 31, 2015, we did not sell any securities under or receive proceeds from the sale of securities under the S-3 Shelf.

The sale of additional equity or convertible securities could result in dilution to our stockholders. If additional funds are raised through the issuance of debt securities or preferred stock, these securities could have rights senior to those associated with our common stock and could contain covenants that would restrict our operations. We do not have any committed sources of debt or equity financing and we cannot assure you that financing will be available in amounts or on terms acceptable to us when needed, or at all. If we are unable to obtain required financing when needed, we may be required to reduce the scope of our current projects, planned product development and marketing efforts, which could harm our financial condition and operating results.

At July 31, 2015, our total negotiated backlog was $0.8 million compared with $0.9 million at April 30, 2015. Some of our backlog at July 31, 2015 and April 30, 2015 consisted of cost-sharing contracts as described in the Financial Operations Overview section of Management's Discussion and Analysis in this Quarterly Report on Form 10-Q. Our backlog can include both funded amounts, which are unfilled firm orders for our products and services for which funding has been both authorized and appropriated by the customer (Congress, in the case of US Government agencies), and unfunded amounts, which are unfilled firm orders from the DOE for which funding has not been appropriated. If any of our contracts were to be terminated, our backlog would be reduced by the expected value of the remaining terms of such contracts. Currently we expect that our backlog will continue to decline in the near term; however, we continue to focus on obtaining new contracts and customers to further our technology and are exploring potential partnerships and strategic alliances. Our backlog was fully funded at July 31, 2015 and April 30, 2015.

Not included in our backlog is a $1.0 million grant that we received from Ente Vasco de la Energia ("EVE") a Basque regional energy agency that would have provided partial funding for the deployment of the PB40 PowerBuoy off the coast of Spain. This grant expires on December 31, 2015 and will likely not be utilized as we have no planned deployment in Spain at this time. The PB40 PowerBuoy was deployed off the coast of New Jersey, but has been retrieved, as discussed above.

Currently, our contract with Mitsui Engineering & Shipbuilding (MES) is undergoing a stage-gate review process and activity has been suspended until we receive further notification from MES. Stage-gate reviews are used in product development to gather key information needed to advance the project to the next gate or decision point. This process has been utilized by other customers such as the Department of Energy. MES has indicated that work under this contract could resume upon passing the stage-gate review. We billed and have been paid for all eligible costs incurred under the contract in fiscal 2015. Our revenues recorded reflect the total amount paid on the contract. In addition, depending on the outcome of the stage-gate review, the scope of the project may be decreased or increased and other terms, including schedule, of the project may change. A significant reduction in the remaining scope of the project could have a material adverse effect on our future revenue and backlog.

For the three months ended July 31, 2015, we generated revenues of $0.1 million and incurred a net loss attributable to Ocean Power Technologies, Inc. of $4.2 million, and for the three months ended July 31, 2014, we generated revenues of $1.5 million and incurred a net loss attributable to Ocean Power Technologies, Inc. of $3.3 million. As of July 31, 2015, our accumulated deficit was $168.9 million. We have not been profitable since inception, and we do not know whether or when we will become profitable because of the significant uncertainties with respect to our ability to successfully commercialize our PowerBuoys in the emerging renewable energy market.

The timing, scope and size of new government programs for renewable energy are uncertain, and there can be no assurances that we or our customers will be successful in obtaining any additional government funding or that projects will be profitable even with available funding.

As part of our strategic pivot in business operations initiated in fiscal 2015, we are focused on developing the PowerBuoy technology for use in the autonomous applications markets. Such applications require open ocean power sources that operate independently of the utility grid by supplying electric power to payloads that are integrated directly in the PowerBuoy and/or located in its vicinity. Based on market research and available public data, we believe considerable business opportunity exists in six markets that could have a direct need for our autonomous PowerBuoys: ocean observing, offshore wind, defense and security, oil and gas, communications, and ocean aquaculture. Based on power needs, sensor types and other considerations, we believe our APB350 could have the ability to satisfy several application requirements within these six markets. It is designed to offer a substantial amount of persistent power while also providing a simple and stable integration platform that is deployable using readily available vessels and skills. The APB350 is currently undergoing a design iteration focusing on improving its commercial viability, its reliability and endurance. Based on our product and technology roadmap, we expect the APB350 will undergo significant in-ocean testing during the next year and we currently expect that by the summer of 2016, it will achieve a maturity level that will allow us to proceed with our commercial launch. We currently intend to perform first product demonstrations with early adopters and launch customers of the APB350 within approximately the same timeframe. We anticipate that the APB350 will have sufficient power to address application needs in all six markets such as metrological data collection, wind and environmental data collection for offshore wind, and sensors and communications for homeland defense. With additional power available, we believe new applications will be enabled through the development of new sensors and hardware that were not feasible or financially viable with incumbent power sources such as generators, solar, wind and battery based sources.

The amount of contract backlog is not necessarily indicative of future revenue because modifications to or terminations of present contracts and production delays can provide additional revenue or reduce anticipated revenue. A substantial portion of our revenue has been for the support of our product development efforts. These revenues are recognized using the percentage-of-completion method, and changes in estimates from time to time may have a significant effect on revenue and backlog. Our backlog is also typically subject to large variations from time to time due to the timing of new awards.

Australia

In 2008, we announced a Joint Development Agreement with Leighton Contractors Pty. Ltd. (Leighton) for the development of wave power projects off the coast of Australia. In 2009, Leighton formed Victorian Wave Partners Pty Ltd (“VWP”), a special purpose company for the development of a wave power project off the coast of Victoria, Australia. In 2010, VWP and the Commonwealth of Australia entered into an Energy Demonstration Program Funding Deed (“Funding Deed”), wherein VWP was awarded an A$66.5 million (approximately US$62 million) grant for the wave power project; however, receipt of funds under the grant was subject to certain terms, including achievement of future significant external funding milestones. The grant was expected to be used towards the A$232 million proposed cost of building and deploying a wave power station off the coast of Australia (the “Project”). In March 2012, our Australian subsidiary Ocean Power Technologies (Australasia) Pty. Ltd acquired 100% ownership of VWP from Leighton. In January 2014, VWP signed a Deed of Variation with the Australian Renewable Energy Agency (“ARENA”) that amended the Funding Deed, and, in March 2014, received the initial portion of the grant from ARENA in the amount of approximately A$5.6 million (approximately US$5.2 million) (the “Initial Funding”). The Initial Funding was subject to claw-back provisions if certain contractual requirements, including performance criteria, were not satisfied. In light of the claw-back provisions, the Company determined to classify the Initial Funding as an advance payment, hold the funds as restricted cash and defer recognition of the funds as revenue. In July 2014, the VWP Board of Directors determined that the project contemplated by the Funding Deed was no longer commercially viable and terminated the Funding Deed and returned the Initial Funding to ARENA.

Financial Operations Overview

The following describes certain line items in our statement of operations and some of the factors that affect our operating results.

Revenues

Generally, we recognize 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 our 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 we are unable to reasonably estimate the total costs of the project prior to completion. Some revenue contracts may contain complex criteria or uncertainty surrounding the terms of performance and customer acceptance. These contracts are subject to interpretation, and management may make a judgment as to the amount of revenue earned and recorded. Because we have 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 our revenue for the periods involved. Upon anticipating a loss on a contract, we recognize the full amount of the anticipated loss in the current period.

Generally, our contracts are either cost plus or fixed price contracts. Under cost plus contracts, we bill the customer for actual expenses incurred plus an agreed-upon fee. Revenue is typically recorded using the percentage-of-completion method based on the maximum awarded contract amount. In certain cases, we may choose to incur costs in excess of the maximum awarded contract amounts resulting in a loss on the contract. Currently, we have two types of fixed price contracts, firm fixed price and cost-sharing. Under firm fixed price contracts, we receive an agreed-upon amount for providing product development and services that are specified in the contract. Revenue is typically recorded using the percentage-of-completion method based on the contract amount. Depending on whether actual costs are more or less than the agreed-upon amount, there is a profit or loss on the project. 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. We fund the remainder of the costs as part of our product development efforts. Revenue is typically recorded using the percentage-of-completion method based on the amount agreed upon with the customer. An amount corresponding to the revenue is recorded in cost of revenues resulting in gross profit on these contracts of zero. Our share of the costs is recorded as product development expense. Some of our revenue for the three months ended July 31, 2015 and 2014 was from cost-sharing contracts.

The following table provides information regarding the breakdown of our revenues by customer for the three months ended July 31, 2015 and 2014:

	Three Months Ended July 31, ($ millions)	
	2015	**2014**
US Department of Energy	$0.1	$0.1
European Union (WavePort project)	—	0.9
Mitsui Engineering & Shipbuilding	—	0.5
	$0.1	$1.5

We currently focus our sales and marketing efforts on North America, Europe, Australia and Japan. The following table shows the percentage of our revenues by geographical location of our customers for the three months ended July 31, 2015 and 2014:

Customer Location	**Three months ended July 31, 2015**	**2014**
United States	100%	7 %
Europe	—	62 %
Asia and Australia	—	31 %
	100%	100 %

Cost of revenues

Our cost of revenues consists primarily of incurred material, labor and manufacturing overhead expenses, such as engineering expense, equipment depreciation and maintenance and facility related expenses, and includes the cost of PowerBuoy parts and services supplied by third-party suppliers. Cost of revenues also includes PowerBuoy system delivery and deployment expenses and may include anticipated losses at completion on certain contracts.

Some of our revenue recorded for the three months ended July 31, 2015 and 2014 was generated from cost-sharing contracts, which result in zero gross profit. However, in the three months ended July 31, 2014 our firm fixed price contract with MES recorded under the percentage-of-completion method had an increase in estimated total costs of the project. This increase in estimated project costs resulted in a gross loss and we recorded an accrual for the future anticipated loss on the contract.

Our ability to generate a gross profit will depend on the nature of future contracts, our success at increasing sales of our PowerBuoy systems and our ability to manage costs incurred on fixed price commercial contracts.

Product development costs

Our product development costs consist of salaries and other personnel-related costs and the costs of products, materials and outside services used in our product development and unfunded research activities. Our product development costs relate primarily to our efforts to increase the power output and reliability of our utility PowerBuoy system, and to our research and development of new products, product applications and complementary technologies. We expense all of our product development costs as incurred. Over the next several years, it is our intent to fund the majority of our research and development expenses, including cost-sharing arrangements, with sources of external funding. If we are unable to obtain external funding, we may curtail our research and development expenses and scope as necessary.

Selling, general and administrative costs

Our selling, general and administrative costs consist primarily of professional fees, salaries and other personnel-related costs for employees and consultants engaged in sales and marketing and support of our PowerBuoy systems and costs for executive, accounting and administrative personnel, professional fees and other general corporate expenses.

Interest income (expense), net

Interest income consists of interest received on cash and cash equivalents, investments in commercial bank-issued certificates of deposit and US Treasury bills and notes and interest expense paid on certain obligations to third parties. Total cash, cash equivalents, restricted cash, and marketable securities were $14.7 million as of July 31, 2015, compared to $32.5 million as of July 31, 2014.

We anticipate that our interest income reported in fiscal 2016 will continue to be lower than the comparable periods of the prior fiscal year as a result of the decrease in invested cash.

Foreign exchange gain (loss)

We transact business in various countries and have exposure to fluctuations in foreign currency exchange rates. Foreign exchange gains and losses arise in the translation of foreign-denominated assets and liabilities, which may result in realized and unrealized gains or losses from exchange rate fluctuations. Since we conduct our business in US dollars and our functional currency is the US dollar, our main foreign exchange exposure, if any, results from changes in the exchange rate between the US dollar and the British pound sterling, the Euro and the Australian dollar. Due to the macroeconomic pressures in certain European countries, foreign exchange rates may become more volatile in the future.

We may invest our foreign cash reserves in certificates of deposit and we maintain cash accounts that are denominated in British pounds sterling, Euros and Australian dollars. These foreign-denominated certificates of deposit and cash accounts had a balance of $1.4 million as of July 31, 2015 and $6.6 million as of July 31, 2014, compared to our total cash, cash equivalents, restricted cash, and marketable securities balances of $14.7 million as of July 31, 2015 and $32.5 million as of July 31, 2014. These foreign currency balances are translated at each month end to our functional currency, the US dollar, and any resulting gain or loss is recognized in our results of operations.

In addition, a portion of our operations is conducted through our subsidiaries in countries other than the United States, specifically Ocean Power Technologies Ltd. in the United Kingdom, the functional currency of which is the British pound sterling, and Ocean Power Technologies (Australasia) Pty Ltd. in Australia, the functional currency of which is the Australian dollar. Both of these subsidiaries have foreign exchange exposure that results from changes in the exchange rate between their functional currency and other foreign currencies in which they conduct business. All of our international revenues for the three months ended July 31, 2014 were recorded in Euros.

We currently do not hedge our exchange rate exposure. However, we assess the anticipated foreign currency working capital requirements and capital asset acquisitions of our foreign operations and attempt to maintain a portion of our cash, cash equivalents and marketable securities denominated in foreign currencies sufficient to satisfy these anticipated requirements. We also assess the need and cost to utilize financial instruments to hedge currency exposures on an ongoing basis and may hedge against exchange rate exposure in the future.

Results of Operations

Three Months Ended July 31, 2015 Compared to Three Months Ended July 31, 2014

The following table contains selected statement of operations information, which serves as the basis of the discussion of our results of operations for the three months ended July 31, 2015 and 2014:

	Three Months ended July 31,		**% Change 2015 Period to 2014 Period**
	2015	**2014**	

Revenues	$105,666	$1,540,528	(93)%
Cost of revenues	105,666	1,967,164	(95)
Gross loss	—	(426,636)	(100)
Operating expenses:			
Product development (recoveries) costs	2,482,788	(80,055)	(3,201)
Selling, general and administrative costs	1,906,945	3,122,972	(39)
Total operating expenses	4,389,733	3,042,917	44
Operating loss	(4,389,733)	(3,469,553)	27
Interest income, (expense) net	5,123	(58,620)	(109)
Other income	251,007	185,000	36
Foreign exchange gain (loss)	18,959	(5,658)	(435)
Net loss	(4,114,644)	(3,348,831)	23
Less: Net (gain) loss attributable to the noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd	(47,397)	66,079	(172)
Net loss attributable to Ocean Power Technologies, Inc	$(4,162,041)	$(3,282,752)	27 %

Revenues

Revenues decreased by $1.4 million, or 93%, to $0.1 million in the three months ended July 31, 2015, as compared to $1.5 million in the three months ended July 31, 2014. The decrease in revenue is related to the completion of our WavePort contract with the EU in fiscal 2015 and the decrease in billable work under the current phase of our project with MES which is undergoing a stage-gate review process. This is discussed more fully in the Overview section of the Management Discussion and Analysis of Financial Conditions and Results of Operations ("MD&A").

Cost of revenues

Cost of revenues decreased by $1.9 million, or 95%, to $0.1 million in the three months ended July 31, 2015, as compared to $2.0 million in the three months ended July 31, 2014. The decrease in cost of revenue is related to the completion of our WavePort contract with the EU in fiscal 2015 and the decrease in billable work under the current phase of our project with MES which is undergoing a stage-gate review process. This is discussed more fully in the Overview section of the MD&A. During the three months ended July 31, 2014, our firm fixed price contract with MES recorded under the percentage-of-completion method had an increase in estimated total costs of the project. This increase in estimated project costs resulted in a gross loss and we recorded an accrual for the future anticipated loss on the contract.

Some of our projects in the three month period ended July 31, 2015 and 2014 were under cost-sharing contracts. Under cost-sharing contracts, we receive a fixed amount agreed upon with the customer that is only intended to fund a portion of the costs on a specific project. We fund the remainder of the costs primarily as part of our product development efforts. Revenue is typically recorded using the percentage-of-completion method applied to the contractual amount agreed upon with the customer. An equal amount corresponding to the revenue is recorded in cost of revenues resulting in gross profit on these contracts of zero. Our share of the costs is considered to be product development expense. Our ability to generate a gross profit will depend on the nature of future contracts, our success at increasing sales of our PowerBuoy systems and on our ability to manage costs incurred on our fixed price contracts.

Product development costs

Product development costs increased by $2.6 million, or (3201)%, to $2.5 million in the three months ended July 31, 2015, as compared to $(0.1) million in the three months ended July 31, 2014. The increase in product development costs was related primarily to increased costs associated with the deployment of our legacy PB40 device off the coast of New Jersey in July and with the redesigned APB350. During the three months ended July 31, 2014, we recovered product development costs from prior periods under our cost-sharing contract with the European Union for our WavePort project in Spain. Over the next several years, it is our intent to fund the majority of our research and development expenses, including cost-sharing arrangements, with sources of external funding. If we are unable to obtain external funding, we may curtail our product development expenses or the scope of our development activities.

Selling, general and administrative costs

Selling, general and administrative costs decreased by approximately $1.2 million, or 39%, to $1.9 million for the three months ended July 31, 2015 as compared to $3.1 million for the three months ended July 31, 2014. The decrease was related primarily to legal fees for outside counsel retained by the Special Committee of the Board of Directors to conduct an internal investigation into the agreement between VWP and ARENA during the three months ended July 31, 2014. In addition, costs decreased related to site development expenses related to our terminated project in Australia, decreased patent costs due to shortening the estimated useful lives for recording amortization expense and third party consultant fees. These decreases were offset by increased employee related costs.

Interest income, (expense) net

Interest income (expense) net increased to $5,000 for the three months ended July 31, 2015, as compared to ($59,000) in the three months ended July 31, 2014. During the three months ended July 31, 2014, we recorded interest expense for the repayment of funds received in March 2014 from ARENA of $5.2 million.

Foreign exchange gain (loss)

Foreign exchange gain was $19,000 for the three months ended July 31, 2015, compared to a foreign exchange loss of $6,000 for the three months ended July 31, 2014. The difference was attributable primarily to the relative change in value of the British pound sterling, Euro and Australian dollar compared to the US dollar during the two periods.

Other income

During the three months ended July 31, 2015, we received a refund of $251,000 related to research and development expenditures in Australia. During the three months ended July 31, 2014, we reached a favorable settlement with a vendor regarding a disputed transaction, which comprises the amount of $185,000.

Liquidity and Capital Resources

We are developing and are seeking to commercialize proprietary systems that generate electricity by harnessing the renewable energy of ocean waves. Our PowerBuoy® systems use proprietary technologies to convert the mechanical energy created by the rising and falling of ocean waves into electricity. Since fiscal 2002, government agencies have accounted for a significant portion of our revenues, which were largely for the support of our product development efforts. Our goal is that an increased portion of our revenues will be from the sale of products and maintenance services, as compared to revenue from grants to support our product development efforts. As we continue to advance our proprietary technologies, we expect to have a net use of cash in operating activities unless or until we achieve positive cash flow from the planned commercialization of products and services.

Since our inception, the cash flows from customer revenues have not been sufficient to fund our operations and provide the capital resources for the planned growth of our business. For the two years ended April 30, 2015, our net losses were $24.4 million and our net cash used in operating activities was $23.7 million.

Cash flows for the three months ended July 31, 2015 and 2014 were as follows:

	Three Months Ended July 31,	
	2015	**2014**
Net loss	$(4,114,644)	$(3,348,831)
Adjustments for noncash operating items	155,012	261,969
Net cash operating loss	(3,959,632)	(3,086,862)
Net change in operating assets and liabilities	841,264	(80,678)
Net cash used in operating activities	$(3,118,368)	$(3,167,540)
Net cash provided by (used in) investing activities	$93,111	$(3,006,517)
Net cash used in financing activities	$(25,355)	$(25,668)
Effect of exchange rates on cash and cash equivalents	$(47,869)	$(31,284)

Net cash used in operating activities

Net cash used in operating activities was $3.1 million and $3.2 million for the three months ended July 31, 2015 and 2014, respectively. The change was the result of an increase in net loss of $0.8 million offset by a decrease in cash provided by noncash operating items of $0.1 million and the net change in operating assets and liabilities of $0.8 million.

The increase in net loss for the three months ended July 31, 2015 compared to the three months ended July 31, 2014 reflects an increase in product development costs of $2.6 million relating primarily to the deployment of the PB40 off the coast of NJ and the anticipated deployment of the APB350, offset by a decrease in SG&A costs of $1.2 million relating primarily to decreased legal fees to address the shareholder litigation and related matters and decreased site development expenses related to our terminated project in Australia.

The decrease in noncash operating items reflects a decrease in amortization expense for patents of $0.2 million, offset by an increase in equity compensation of $0.1 million.

The increase in operating assets and liabilities reflects a net increase in accounts payable and accrued expenses of $1.1 million and an increase of $0.3 million in other current assets, during the three months ended July 31, 2015.

Net cash provided by (used in) investing activities

Net cash provided by investing activities was $0.1 million for the three months ended July 31, 2015 and net cash used in investing activities was $3.0 million for the three months ended July 31, 2014. The change was primarily the result of a net decrease in maturities of marketable securities during the three months ended July 31, 2014.

Net cash used in financing activities

Net cash used in financing activities was $25,000 and $26,000 for the three months ended July 31, 2015 and 2014, respectively. The net cash used was primarily for repayment of long-term debt.

Effect of exchange rates on cash and cash equivalents

The effect of exchange rates on cash and cash equivalents was a decrease of $48,000 and $31,000 in the three months ended July 31, 2015 and 2014, respectively. The effect of exchange rates on cash and cash equivalents results primarily from gains or losses on consolidation of foreign subsidiaries and foreign denominated cash and cash equivalents.

Liquidity Outlook

We expect to devote substantial resources to continue our development efforts for our PowerBuoys and to expand our sales, marketing and manufacturing programs associated with the planned commercialization of the PowerBuoys. Our future capital requirements will depend on a number of factors, including:

- the cost of development efforts for our PowerBuoys;
- our success in developing commercial relationships with major customers;
- the ability to obtain project-specific financing, grants, subsidies and other sources of funding for some of our projects;
- the cost of manufacturing activities;

- the cost and success rate of commercialization activities, including demonstration projects, product marketing and sales;
- our ability to establish and maintain additional customer relationships;
- the implementation of our expansion plans, including the hiring of new employees as our business increases;
- the cost of potential acquisitions of other products or technologies;
- the costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims and other patent-related costs; and
- the cost of shareholder and other litigation and regulatory inquiries.

We have incurred negative operating cash flows since our inception. As of July 31, 2015, our cash and cash equivalents and marketable securities balance was approximately $14.2 million. Based upon our cash and cash equivalents and marketable securities balance as of April 30, 2015, we believe that we will be able to finance our capital requirements and operations into the quarter ending October 31, 2016. In addition, as of July 31, 2015, our restricted cash balance was approximately $0.5 million.

On January 14, 2015, we received a deficiency letter from the Listing Qualifications Department (the "Staff") of The NASDAQ Stock Market notifying us that, for the last 30 consecutive business days, the bid price of our common stock had closed below the minimum $1.00 per share requirement for continued inclusion on The NASDAQ Global Market pursuant to NASDAQ Listing Rule 5450(a) (1) (the "Rule"). In accordance with Nasdaq Listing Rule 5810(c) (3) (A), the Company was provided an initial period of 180 calendar days, or until July 13, 2015, to regain compliance with the Rule.

On July 14, 2015, we were granted an additional 180 day, or until January 11, 2016, compliance period and, as required, transferred the listing of our common stock from The NASDAQ Global Market to The NASDAQ Capital Market. If, at any time before January 11, 2016, the bid price of our common stock closes at $1.00 or more for a minimum of 10 consecutive business days as required under Listing Rule 5810(c) (3) (A), the Staff will provide written notification to us that it complies with the Rule, unless the Staff exercises its discretion to extend this 10 day period pursuant to Listing Rule 5810(c) (3) (F).

If our common stock is delisted from NASDAQ, our ability to raise capital through public offerings of our securities could be adversely affected. We also believe that delisting would likely result in decreased liquidity and/or increased volatility in our common stock, and could harm our business and future prospects. In addition, we believe that, if our common stock is delisted, our stockholders would likely find it more difficult to obtain accurate quotations as to the price of the common stock and it may be more difficult for stockholders to buy or sell our common stock at competitive market prices, or at all. Our Board of Directors has approved and we are seeking stockholder approval of a proposed reverse stock split of our common stock in the range of 1:5 to 1:12 (but subject to the discretion of our Board of Directors to effectuate the reverse stock split or not) at our upcoming Annual Meeting of Stockholders, scheduled to be held October 22, 2015, which we believe would permit us to regain compliance with the bid price rule. However, we cannot provide you with any assurance that the proposed reverse stock split will be approved by our stockholders and that we will be able to regain compliance with NASDAQ's continued listing requirements. If we fail to regain compliance with the minimum bid price rule or otherwise maintain the standards required now or in the future by NASDAQ, our common stock will likely be delisted from NASDAQ.

We continue to make investments in ongoing product development efforts in anticipation of future growth. Our 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 our 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 PowerBuoy, deployment risks and laws, regulations and permitting. In order to complete our future growth strategy, we will require additional equity and/or debt financing. There is no assurance that additional equity and/or debt financing will be available to us as needed. Historically, we have raised proceeds through public capital markets. If sufficient financing is not obtained, 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 the Form S-3 Shelf. The S-3 Shelf was declared effective in February 2013. Under the S-3 Shelf in June 2013, we established the ATM Facility with Ascendiant Capital Markets, LLC via the ATM Agreement in June 2013. Under the ATM Agreement, we offered and sold shares of our common stock from time to time through Ascendiant, 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 with Roth Capital Partners, LLC on April 4, 2014, with respect to the issuance and sale in an underwritten Public Offering of an aggregate of 3,800,000 shares of our common stock at a price of $3.10 per share. The Underwriting Agreement contained customary representations, warranties and agreements by us, customary conditions to closing, 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.

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, to one third of our public float. In 2014, we fully utilized our available transaction capacity to sell securities using the S-3 Shelf in the ATM offering. However, we regained the ability to utilize Form S-3 as we entered fiscal 2016. Of the $40 million authorized under the S-3 Shelf, approximately $18.2 million remains available for issuance and sale under the S-3 Shelf. However, given our market capitalization of $9.9 million at July 31, 2015, we would be further limited in our ability to sell securities under the S-3 Shelf to approximately $3 million. During fiscal 2015 and the three months ended July 31, 2015, we did not sell any securities under or receive any proceeds from the sale of securities under the S-3 Shelf.

The sale of additional equity or convertible securities could result in dilution to our stockholders. If additional funds are raised through the issuance of debt securities or preferred stock, these securities could have rights senior to those associated with our common stock and could contain covenants that would restrict our operations. Financing may not be available in amounts or on terms acceptable to us, or at all. If we are unable to obtain required financing, we may be required to reduce the scope of our current projects, planned product development and marketing efforts, which could harm our financial condition and operating results.

During fiscal 2015, the Company returned the initial grant funding received of A$5,595,723 ($5,179,960) and interest of A$109,051 ($102,061) to ARENA. This was related to the VWP Board of Directors determination that the project contemplated by the grant was no longer commercially viable.

Off-Balance Sheet Arrangements

Since inception, we have not engaged in any off-balance sheet financing activities.

Item 3. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

Not Applicable.

Item 4. ***CONTROLS AND PROCEDURES***

Evaluation of Disclosure Controls and Procedures

Management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of July 31, 2015 pursuant to Rules 13a-15(b) or 15d-15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, as appropriate, to allow timely decisions regarding required disclosure. Based on such evaluation, management concluded that our disclosure controls and procedures were effective as of July 31, 2015 to ensure that non-financial statement and related disclosure information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended July 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. ***LEGAL PROCEEDINGS***

<u>Shareholder Litigation</u>:

The Company and its former Chief Executive Officer Charles Dunleavy are defendants in consolidated securities class action lawsuits pending in the United States District Court for the District of New Jersey captioned In Re: Ocean Power Technologies, Inc. Securities Litigation, Civil Action No. 14-3799 (FLW) (LHG). The consolidated actions are Roby v. Ocean Power Technologies, Inc., et al., Case No. 3:14-cv-03799-FLW-LHG; Chew, et al. v. Ocean Power Technologies, Inc. et. al., Case No 3:14-cv-03815; Konstantinidis v. Ocean Power Technologies, Inc., et al., Case No. 3:14-cv-04015; and Turner v. Ocean Power Technologies, Inc., et al., Case No. 3:14-cv-04592. On March 17, 2015, the court entered an order appointing Five More Special Situation Fund Ltd. as the lead plaintiff. On May 18, 2015, the lead plaintiff filed an amended class action complaint. The amended class action complaint alleges claims for violations of sections 12(a) (2) and 15 of the Securities Act of 1933 and for violations of §10(b) and §20(a) of the Securities Exchange Act of 1934 arising out of public statements relating to a now terminated agreement between Victorian Wave Partners Pty. Ltd. (VWP) and the Australian Renewable Energy Agency (ARENA) for the development of a wave power station (the "VWP Project"). The amended complaint seeks unspecified monetary damages and other relief. On July 17, 2015, defendants filed a motion to dismiss the amended class action complaint. Lead plaintiff filed a response to the motion on August 31, 2015.

On July 10, 2014, the Company received a demand letter ("Demand Letter") from an attorney claiming to represent a shareholder demanding that the Company's Board of Directors establish an independent committee to investigate and remedy alleged breaches of fiduciary duties by the Board of Directors and management relating to the VWP Project. The Company is continuing to evaluate the Demand Letter but also invited the attorney to participate in the Section 220 Demand process discussed below. On February 6, 2015, the Company produced documents to the attorney pursuant to a confidentiality agreement in connection with the Section 220 Demand process.

The Company also received a letter, dated August 19, 2014, (the "Section 220 Demand") from another attorney claiming to represent a shareholder demanding, pursuant to 8 Del. C. §220, to inspect certain books and records of the Company relating to the VWP Project and the termination of Charles Dunleavy as the Company's Chief Executive Officer. The Company has received two additional Section 220 Demands relating to the same subject matter from attorneys claiming to represent two different shareholders. The Company has responded in writing to the three Section 220 Demands and on February 6, 2015 produced documents to each of the attorneys pursuant to confidentiality agreements.

The Company and certain of its current and former directors and officers are defendants in a derivative lawsuit filed on March 18, 2015 in the United States District Court for the District of New Jersey captioned Labare v. Dunleavy, et. al., Case No. 3:15-cv-01980-FLW-LHG. The derivative complaint alleges claims for breach of fiduciary duty, abuse of control, gross mismanagement and unjust enrichment relating to the now terminated agreement between VWP and ARENA referred to above. The derivative complaint seeks unspecified monetary damages and other relief. On May 18, 2015, the plaintiff and all the defendants agreed to stay the derivative lawsuit pending action in the consolidated class action securities litigation discussed above (namely, a court order denying any motions to dismiss the commencement of discovery, a joint request to lift the stay, or further order of the court).

On July 10, 2015, a second derivative lawsuit, captioned Rywolt v. Dunleavy*, et al.,* Case No. 3:15-cv-05469, was filed by another shareholder against the same defendants in the United States District Court for the District of New Jersey alleging similar claims for breach of fiduciary duty, gross mismanagement, abuse of control, and unjust enrichment relating to the now terminated agreement between VWP and ARENA. The *Rywolt* complaint also seeks unspecified monetary damages and other relief. The case is still in its preliminary stage and defendants have not yet responded to the complaint. On September 2, 2015, the plaintiffs in the Labare and Rywolt derivative lawsuits filed an unopposed motion to consolidate the two actions. The Court has not yet ruled on that motion.

Employment Litigation:

On June 10, 2014, the Company announced that it had terminated Charles Dunleavy as Chief Executive Officer and as an employee of the Company for cause, effective June 9, 2014, and that Mr. Dunleavy had also been removed from his position as Chairman of the Board of Directors. On June 17, 2014, Mr. Dunleavy wrote to the Company stating that he had retained counsel to represent him in connection with an alleged wrongful termination of his employment. On July 28, 2014, Mr. Dunleavy resigned from the Board and the boards of directors of the Company's subsidiaries. The Company and Mr. Dunleavy have agreed to suspend his alleged employment claims pending resolution of the shareholder litigation.

We have not established any provision for losses relating to these claims and pending litigation. Due to the stages of these proceedings, and considering the inherent uncertainty of these claims and litigation, at this time we are not able to predict or reasonably estimate whether we have any possible loss exposure or the ultimate outcome of these claims.

(b) Regulatory Matters:

SEC Subpoena

On February 4, 2015, the Company received a subpoena from the Securities and Exchange Commission (“SEC”) requesting information related to the VWP Project. The Company has provided information to the SEC in response to that subpoena and continues to cooperate with the SEC. We are unable to predict what action, if any, might be taken by the SEC or its staff as a result of this investigation or what impact, if any, the cost of responding to the SEC’s investigation or its ultimate outcome might have on our financial position, results of operations or liquidity. We have not established any provision for losses relating to this matter.

Item 1A. RISK FACTORS

The discussion of our business and operations should be read together with the risk factors contained in Item 1A of our Annual Report on Form 10-K for the year ended April 30, 2015. These risk factors describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties have the potential to affect our business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner. There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K filed with the SEC on July 6, 2015.

Item 2. ***UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS***

The following table details the Company's share repurchases during the quarter:

Period	**Total Number of Shares Purchased (1)**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans**	**Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan**
May 1-31, 2015				
June 1-30, 2015	675	$ 0.53		
July 1-31, 2015				

(1) Represents shares delivered back to the Company by employees to pay taxes related to the vesting of restricted shares.

Item 3. ***DEFAULTS UPON SENIOR SECURITIES***

None.

Item 4. ***MINE SAFETY DISCLOSURES***

Not Applicable.

Item 5. ***OTHER INFORMATION***

None.

32

Item 6. ***EXHIBITS***

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 *	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2 *	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials formatted in eXtensible Business Reporting Language (XBRL) from Ocean Power Technologies, Inc Quarterly Report on Form 10-Q for the quarter ended July 31, 2015, filed September 8, 2015: (i) Consolidated Balance Sheets – July 31, 2015 (unaudited) and April 30, 2015, (ii)

Consolidated Statements of Operations (unaudited) – Three Months Ended July 31, 2015 and 2014, (iii) Consolidated Statements of Comprehensive Loss (unaudited) – Three Months Ended July 31, 2015 and 2014, (iv) Consolidated Statements of Cash Flows (unaudited) – Three Months Ended July 31, 2015 and 2014, (v) Consolidated Statements of Stockholders' Equity (unaudited) – Three Months Ended July 31, 2015 and 2014 and (vi) Notes to Consolidated Financial Statements.**

* As provided in Item 601(b)(32)(ii) of Regulation S-K, this exhibit shall not be deemed to be "filed" or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise

subject to the liability under those sections.

** As provided in Rule 406T of Regulation S-T, this exhibit shall not be deemed “filed” or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability under those sections.

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.

	Ocean Power Technologies, Inc. *(Registrant)*	
Date: September 8, 2015	By:	/s/ George H. Kirby III George H. Kirby III Chief Executive Officer
Date: September 8, 2015	By:	/s/ Mark A. Featherstone Mark A. Featherstone Chief Financial Officer

EXHIBITS INDEX

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