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As filed with the Securities and Exchange Commission on April 10, 2007

Registration No. 333-138595

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 3
TO

Form S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

OCEAN POWER TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

New Jersey	**3629**	**22-2535818**
(State or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code No.)*	*(I.R.S. Employer Identification No.)*

1590 Reed Road
Pennington, NJ 08534
(609) 730-0400
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Dr. George W. Taylor
Chief Executive Officer
Ocean Power Technologies, Inc.
1590 Reed Road
Pennington, NJ 08534
(609) 730-0400
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement is declared effective.

If any of the securities being registered on this form are offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act") please check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Aggregate Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee (3)(4)
Common Stock par value $0.001 per share	5,750,000	$ 22.00	$ 126,500,000	$ 3,883.55

(1) Includes 750,000 shares of common stock that may be purchased by the underwriters to cover over-allotments, if any.
(2) Estimated solely for the purpose of computing the registration fee in accordance with Rule 457(a) under the Securities Act of 1933, as amended.
(3) Calculated pursuant to Rule 457(a) based on an estimate of the proposed maximum aggregate offering price.
(4) A registration fee of $10,700 has been paid previously in connection with this Registration Statement based on an estimate of the aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

SUBJECT TO COMPLETION APRIL 9, 2007

PRELIMINARY PROSPECTUS

5,000,000 Shares

O. P. T.
OCEAN POWER TECHNOLOGIES, INC

Common Stock

This is the initial public offering of our common stock in the United States. We are offering 5,000,000 shares of common stock offered by this prospectus. We expect the public offering price to be between $20.00 and $22.00 per share.

We have applied to have our common stock approved for listing on The Nasdaq Global Market under the symbol "OPTT."

Our common stock is listed on the AIM market of the London Stock Exchange plc under the symbol "OPT." We will apply to list the shares of common stock being offered by this prospectus on the AIM market. The last reported sale price of our common stock on the AIM market on April 5, 2007 was £11.70 per share (as adjusted to give effect to a one-for-ten reverse stock split to be effected prior to this offering), or approximately $23.05 per share based on the noon buying rate for sterling of £1.00 = $1.97 on April 5, 2007.

Investing in our common stock involves a high degree of risk. Before buying any shares, you should read the discussion of material risks of investing in our common stock in "Risk Factors" beginning on page 7 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

The underwriters may also purchase up to an additional 90,000 shares of our common stock from the selling stockholders identified in this prospectus and up to 660,000 additional shares of common stock from us at the public offering price, less the underwriting discounts and commissions, to cover over-allotments, if any, within 30 days from the date of this prospectus. If the underwriters exercise this option in full, the total underwriting discounts and commissions will be $, and our total proceeds, before expenses, will be $. We will not receive any proceeds from the sale of shares by the selling stockholders.

The underwriters are offering the common stock as set forth under "Underwriting." Delivery of the shares will be made on or about , 2007.

UBS Investment Bank

Banc of America Securities LLC

Bear, Stearns & Co. Inc.

First Albany Capital

, 2007

You should rely only on the information contained in this prospectus. We have not, the selling stockholders have not and the underwriters have not, authorized anyone to provide you with additional information or information different from that contained in this prospectus. We and the selling stockholders are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of shares of our common stock.

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PowerBuoy® is a registered trademark of Ocean Power Technologies, Inc. The Ocean Power Technologies logo, CellBuoy™, Talk on Water™ and Making Waves in Power℠ are trademarks or service marks of Ocean Power Technologies, Inc. All other trademarks appearing in this prospectus are the property of their respective holders.

PROSPECTUS SUMMARY

This summary highlights selected information appearing elsewhere in this prospectus. While this summary highlights what we consider to be the most important information about us, you should carefully read this prospectus and the registration statement of which this prospectus is a part in their entirety before investing in our common stock, especially the risks of investing in our common stock, which we discuss under "Risk Factors," and our consolidated financial statements and related notes beginning on page F-1.

Our Company

We develop and are commercializing proprietary systems that generate electricity by harnessing the renewable energy of ocean waves. The energy in ocean waves is predictable, and electricity from wave energy can be produced on a consistent basis at numerous sites located near major population centers worldwide. Wave energy is an emerging segment of the renewable energy market. Based on our proprietary technology, considerable ocean experience, existing products and expanding commercial relationships, we believe we are the leading wave energy company.

We currently offer two products as part of our line of PowerBuoy® systems: a utility PowerBuoy system and an autonomous PowerBuoy system. Our PowerBuoy system is based on modular, ocean-going buoys, which we have been ocean testing for nearly a decade. The rising and falling of the waves moves the buoy-like structure creating mechanical energy that our proprietary technologies convert into electricity. We have tested and developed wave power generation and control technology using proven equipment and processes in novel applications. Our two products are designed for the following applications:

- Our utility PowerBuoy system is capable of supplying electricity to a local or regional electric power grid. Our wave power stations will be comprised of a single PowerBuoy system or an integrated array of PowerBuoy systems, plus the remaining components required to deliver electricity to a power grid. We intend to sell our utility PowerBuoy system to utilities and other electrical power producers seeking to add electricity generated by wave energy to their existing electricity supply.
- Our autonomous PowerBuoy system is designed to generate power for use independently of the power grid in remote locations. There are a variety of potential applications for this system, including sonar and radar surveillance, offshore cellular phone service, tsunami warning, oceanographic data collection, offshore platforms and offshore aquaculture.

From October 2005 to October 2006, we operated a demonstration PowerBuoy system with a maximum peak, or rated, output of 40 kilowatts, or kW, off the coast of New Jersey under a contract with the New Jersey Board of Public Utilities. This PowerBuoy system has been removed from the ocean and is currently undergoing planned maintenance prior to re-deployment. No other PowerBuoy systems are currently deployed.

Our current efforts are focused on our goal of increasing the maximum rated output of our utility PowerBuoy system from the current 40kW to 150kW in 2007, then to 250kW in 2008 and ultimately to 500kW in 2010, as well as expanding our key commercial opportunities for both the utility and the autonomous PowerBuoy systems. We currently have commercial relationships with the following:

- Iberdrola S.A., or Iberdrola, which is a large electric utility company located in Spain and one of the largest renewable energy producers in the world, Total S.A., or Total, which is one of the world's largest oil and gas companies, and two Spanish governmental agencies for the first phase of the construction of a 1.39 megawatt, or MW, wave power station off the coast of Santoña, Spain. We currently plan to deploy an initial 40kW PowerBuoy system for this project by October 2007.
- Iberdrola and Total to evaluate the development of a wave power station off the coast of France.
- The United States Navy to develop and build a wave power station at the US Marine Corps Base in Oahu, Hawaii that we believe will serve as a prototype wave power station for the installation of wave power stations at other US Navy bases. One PowerBuoy system was installed in connection with this

project for a total of eight months over a two-year period. We plan to deploy an improved system in April 2007.

- Lockheed Martin Corporation to market cooperatively with us our autonomous PowerBuoy system for use with Lockheed Martin equipment. Lockheed Martin successfully completed an ocean test of an autonomous PowerBuoy system in September 2004.

As part of our marketing efforts, we use demonstration wave power stations to establish the feasibility of wave power generation. In addition to the demonstration PowerBuoy system operated off the coast of New Jersey, we plan to develop and operate two additional demonstration wave power stations. Unlike the New Jersey power system, these demonstration wave power stations will, if approved and constructed as planned, be connected to the local power grids. In February 2006, we received approval from the South West of England Regional Development Agency to install a 5MW demonstration wave power station off the coast of Cornwall, England. In February 2007, the US Federal Energy Regulatory Commission granted us a preliminary permit to evaluate the feasibility of a location off the coast of Reedsport, Oregon for the proposed construction and operation of a wave power station with a maximum rated output of 50MW, of which up to the first 5MW will be a demonstration wave power station. We plan to generate incremental revenue from the demonstration wave power stations by selling electricity to utilities. Also, in March 2007, we were awarded a conditional grant from the Scottish Ministers' Wave and Tidal Energy Support Scheme, managed by the Scottish Executive. This grant is for the design, manufacture and installation of a 150kW PowerBuoy system in Orkney, Scotland.

We had revenues of $1.7 million in fiscal 2006 and recorded a net loss of $7.1 million, compared to revenues of $5.4 million and a net loss of $0.4 million in fiscal 2005. For the nine months ended January 31, 2007, we had revenues of $1.5 million and a net loss of $5.5 million. As of January 31, 2007, our accumulated deficit was $34.1 million.

Our Market

Global demand for electric power is expected to increase from 14.8 trillion kilowatt hours in 2003 to 30.1 trillion kilowatt hours by 2030, according to the Energy Information Administration, or the EIA. To meet this demand, the International Energy Agency, or the IEA, estimates that investments in new generating capacity will exceed $4 trillion in the period from 2003 to 2030, of which $1.6 trillion will be for new renewable energy generation equipment.

A variety of factors are contributing to the development of renewable energy systems that capture energy from replenishable natural resources, including ocean waves, flowing water, wind and sunlight, and convert it into electricity. These factors include the rising cost of fossil fuels, dependence on energy from foreign sources, environmental concerns, government incentives and infrastructure constraints.

Wave energy systems such as ours compare favorably with many other renewable energy technologies. Due to the tremendous energy in ocean waves, wave power stations with high capacity — 50MW and above — can be installed in a relatively small area. In addition, the supply of electricity from wave energy can be forecasted days in advance and the annual flow of waves at specific sites can be relatively constant.

Our Competitive Advantages

We believe that our technology for generating electricity from wave energy and our commercial relationships give us several potential competitive advantages in the renewable energy market, including the following:

- our PowerBuoy system uses an ocean-tested technology to generate electricity;
- our PowerBuoy system is efficient in harnessing wave energy;
- our PowerBuoy system takes advantage of time-tested and well-known technology;

- numerous potential sites for our wave power stations are located near major population centers worldwide;
- we have significant commercial relationships with governmental and commercial entities active in the development of renewable energy;
- our PowerBuoy system has the potential to offer cost competitive renewable energy power generation solutions; and
- our PowerBuoy system is environmentally benign and aesthetically non-intrusive.

Our Business Strategy

Our goal is to strengthen our leadership in developing wave energy technologies and commercializing wave power stations and related services. In order to achieve this goal, we are pursuing the following business strategies:

- concentrate sales and marketing efforts on four geographic markets: coastal North America, the west coast of Europe, the coasts of Australia and the east coast of Japan;
- continue to increase PowerBuoy system output;
- construct demonstration wave power stations to encourage market adoption of our wave power stations;
- leverage customer relationships to enhance the commercial acceptance of our utility PowerBuoy system;
- expand revenue streams from our autonomous PowerBuoy system; and
- maximize revenue opportunities with existing customers.

Risks Associated with Our Business

Our business is subject to numerous risks, as more fully described in the section entitled "Risk Factors" immediately following this prospectus summary. We have a history of operating losses, and we may never achieve or maintain profitability. Wave energy technology may not gain broad commercial acceptance, and demand for our PowerBuoy systems may not develop. The reduction or elimination of subsidies and incentives for renewable energy sources could prevent demand for our PowerBuoy systems from developing. Our product development costs have been increasing and are likely to increase significantly over the next several years. We have invested, and will continue to invest, funds in demonstration wave power stations that generate little or no direct revenue. Our PowerBuoy systems do not have a long operating history and may develop performance problems. We may be unable to increase the power output of our utility PowerBuoy system, and we may not be able to deploy multiple systems in a large-scale wave power station or to deploy larger PowerBuoy systems cost effectively and without damage to the systems. We depend on a small number of customers for substantially all of our revenues, and the US Navy currently accounts for a majority of our revenues. Our relationships with alliance partners may not be successful. We compete with other renewable energy companies. We are also subject to risks associated with international operations.

Our Corporate Information

We were incorporated under the laws of the State of New Jersey in April 1984 and began commercial operations in 1994. We plan to reincorporate in Delaware prior to this offering. Our principal executive offices are located at 1590 Reed Road, Pennington, New Jersey 08534, and our telephone number is (609) 730-0400. Our website address is *www.oceanpowertechnologies.com.* The information on our website is not a part of this prospectus.

THE OFFERING

Common stock we are offering	5,000,000 shares
Over-allotment option	750,000 shares The underwriters have an option for a period of up to 30 days to purchase up to 90,000 additional shares of common stock from the selling stockholders and up to 660,000 additional shares of common stock from us to cover over-allotments.
Common stock to be outstanding after this offering	10,177,219 shares (10,837,219 shares if the over-allotment option is exercised in full)
Use of proceeds after expenses	We estimate that the net proceeds from this offering after expenses will be approximately $94.8 million, assuming an initial public offering price of $21.00 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus. We intend to use the net proceeds from this offering to construct demonstration wave power stations and to fund minority investments in wave station projects to encourage market adoption of our wave power stations; to fund the continued development of our PowerBuoy system, including increases in system output; to expand our international sales and marketing capabilities; and for working capital and general corporate purposes, including potential acquisitions of complementary businesses, products or technologies. See “Use of Proceeds.” For a sensitivity analysis of the effect of changes in the public offering price on our net proceeds, see “Use of Proceeds.” We will not receive any proceeds from the sale of shares of common stock by the selling stockholders as a result of any exercise by the underwriters of their over-allotment option.
Risk Factors	Investing in our common stock involves a high degree of risk. Before buying any shares, you should read the discussion of material risks of investing in our common stock in “Risk Factors” beginning on page 7 of this prospectus.
Proposed Nasdaq Global Market symbol	OPTT
Listing on AIM market	Our common stock is listed on the AIM market of the London Stock Exchange under the symbol “OPT.” We will apply to list the shares of common stock being offered by this prospectus on the AIM market.

The number of shares of our common stock outstanding immediately after this offering is based on 5,177,219 shares of common stock outstanding as of January 31, 2007.

The number of shares of our common stock outstanding immediately after this offering excludes:

- 1,366,574 shares of our common stock issuable upon the exercise of stock options outstanding as of January 31, 2007 at a weighted average exercise price of $14.25 per share; and

- 803,215 shares of our common stock available for future grant under our equity compensation plans, including our new 2006 stock incentive plan, as of January 31, 2007.

Unless otherwise indicated, all information in this prospectus:

- assumes that the underwriters do not exercise their option to purchase up to 750,000 additional shares of our common stock to cover over-allotments, if any;
- gives effect to the one-for-ten reverse stock split of our common stock to be completed prior to this offering;
- gives effect to our reincorporation in Delaware and the adoption of a new certificate of incorporation and bylaws, which will become effective prior to this offering; and
- gives effect to the establishment of our 2006 stock incentive plan, which will become effective upon the effectiveness of the registration statement for this offering.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following summary consolidated financial data as of and for the fiscal years ended April 30, 2004, 2005 and 2006 have been derived from our audited consolidated financial statements. We refer to the fiscal year ended April 30, 2004 as fiscal 2004, the fiscal year ended April 30, 2005 as fiscal 2005 and the fiscal year ended April 30, 2006 as fiscal 2006. The summary consolidated financial data as of January 31, 2007 and for the nine month periods ended January 31, 2006 and 2007 have been derived from our unaudited consolidated financial statements. The unaudited summary consolidated financial statement data includes, in our opinion, all adjustments, consisting only of normal recurring adjustments, that are necessary for a fair presentation of our financial position and results of operations for these periods. Operating results for the nine months ended January 31, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ending April 30, 2007. You should read this information together with our consolidated financial statements and the related notes appearing at the end of this prospectus and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this prospectus.

The as adjusted balance sheet information gives effect to the sale by us of 5,000,000 shares of common stock in this offering at an assumed initial public offering price of $21.00 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. For a sensitivity analysis of the effect of changes in the public offering price on our capitalization, see "Capitalization."

	Fiscal Year Ended April 30,			Nine Months Ended January 31,	
	2004	2005	2006	2006	2007
				(Unaudited)	
Consolidated Statement of Operations Data:					
Revenues	$ 4,713,202	$ 5,365,235	$ 1,747,715	$ 1,467,283	$ 1,513,631
Cost of revenues	4,319,850	5,170,521	2,059,318	1,920,980	2,103,108
Gross profit (loss)	393,352	194,714	(311,603)	(453,697)	(589,477)
Operating expenses:					
Product development costs	255,958	904,618	4,224,997	2,630,663	4,100,418
Selling, general and administrative costs	1,745,955	2,553,911	3,190,687	2,168,345	3,083,621
Total operating expenses	2,001,913	3,458,529	7,415,684	4,799,008	7,184,039
Operating loss	(1,608,561)	(3,263,815)	(7,727,287)	(5,252,705)	(7,773,516)
Interest income, net	555,717	1,297,156	1,408,361	1,062,095	1,066,823
Other income (expense)(1)	(3,500,096)	1,545	74,294	75,000	13,744
Foreign exchange gain (loss)	1,585,345	1,507,145	(978,242)	(1,514,630)	1,184,499
Loss before income taxes	(2,967,595)	(457,969)	(7,222,874)	(5,630,240)	(5,508,450)
Income tax benefit	118,119	29,335	143,963	143,963	—
Net loss	$ (2,849,476)	$ (428,634)	$ (7,078,911)	$ (5,486,277)	$ (5,508,450)
Basic and diluted loss per share	$ (0.71)	$ (0.08)	$ (1.37)	$ (1.06)	$ (1.06)
Basic and diluted weighted average common shares outstanding	4,037,501	5,135,550	5,162,340	5,158,982	5,174,539

(1) The $3.5 million expense in fiscal 2004 resulted from a one time charge incurred at the time of our stock offering on the AIM market in October 2003 relating to a 1999 agreement between us and Tyco Electronics Corp.

	As of January 31, 2007	
	Actual	As Adjusted
	(Unaudited)	
Consolidated Balance Sheet Data:		
Cash, cash equivalents and certificates of deposit	$ 26,657,152	$ 122,788,581
Working capital	26,224,722	120,980,072
Total assets	30,925,630	125,106,707
Long-term debt, net of current portion	233,959	233,959
Deferred credits	600,000	600,000
Accumulated deficit	(34,140,603)	(34,140,603)
Total stockholders' equity	26,577,235	121,332,585

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below with all of the other information included in this prospectus before deciding to invest in our common stock. If any of the following risks actually occur, they may materially harm our business and our financial condition and results of operations. In this event, the market price of our common stock could decline and you could lose part or all of your investment.

Risks Relating to Our Business

We have a history of operating losses and may never achieve or maintain profitability.

We have incurred net losses since we began operations in 1994, including net losses of $2.8 million in fiscal 2004, $0.4 million in fiscal 2005 and $7.1 million in fiscal 2006. As of January 31, 2007, we had an accumulated deficit of approximately $34.1 million. These losses have resulted primarily from costs incurred in our research and development programs and from our selling, general and administrative costs. We expect to increase our operating expenses significantly as we continue to expand our infrastructure, research and development programs and commercialization activities. As a result, we will need to generate significant revenues to cover these costs and achieve profitability.

We have entered into an agreement for the first phase of construction of a wave power station off the coast of Santoña, Spain, as well as an operations and maintenance contract for the equipment to be installed in this first phase. Under both contracts our potential profitability is limited. Under the construction contract, our revenues are limited to reimbursement for our construction costs without any mark-up and we are required to bear the first €0.5 million of any cost overruns. Under the operations and maintenance contract, we are paid a fixed fee for scheduled maintenance, the profits on which are required to be refunded to cover any unscheduled maintenance fees we receive during the term of the agreement.

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 PowerBuoy® systems in the emerging renewable energy market. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. If we are unable to achieve and then maintain profitability, the market value of our common stock may decline.

Wave energy technology may not gain broad commercial acceptance, and therefore our revenues may not increase, and we may be unable to achieve and then sustain profitability.

Wave energy technology is at an early stage of development, and the extent to which wave energy power generation will be commercially viable is uncertain. Many factors may affect the commercial acceptance of wave energy technology, including the following:

- performance, reliability and cost-effectiveness of wave energy technology compared to conventional and other renewable energy sources and products;
- developments relating to other renewable energy generation technologies;
- fluctuations in economic and market conditions that affect the cost or viability of conventional and renewable energy sources, such as increases or decreases in the prices of oil and other fossil fuels;
- overall growth in the renewable energy equipment market;
- availability and terms of government subsidies and incentives to support the development of renewable energy sources, including wave energy;
- fluctuations in capital expenditures by utilities and independent power producers, which tend to decrease when the economy slows and interest rates increase; and
- the development of new and profitable applications requiring the type of remote electric power provided by our autonomous wave energy systems.

If wave energy technology does not gain broad commercial acceptance, our business will be materially harmed and we may need to curtail or cease operations.

If sufficient demand for our PowerBuoy systems does not develop or takes longer to develop than we anticipate, our revenues may decline, and we may be unable to achieve and then sustain profitability.

Even if wave energy technology achieves broad commercial acceptance, our PowerBuoy systems may not prove to be a commercially viable technology for generating electricity from ocean waves. We have invested a significant portion of our time and financial resources since our inception in the development of our PowerBuoy systems. To date, we have not yet manufactured and deployed any PowerBuoy systems for commercial use. As we begin to manufacture, market, sell and deploy our PowerBuoy systems in greater quantities, unforeseen hurdles may be encountered that would limit the commercial viability of our PowerBuoy systems, including unanticipated manufacturing, deployment, operating, maintenance and other costs. Our target customers and we may also encounter technical obstacles to deploying, operating and maintaining PowerBuoy systems in quantities necessary to generate competitively-priced electricity.

If demand for our PowerBuoy systems fails to develop sufficiently, we may be unable to grow our business or generate sufficient revenues to achieve and then sustain profitability. In addition, demand for PowerBuoy systems in our presently targeted markets, including coastal North America, the west coast of Europe, the coasts of Australia and the east coast of Japan, may not develop or may develop to a lesser extent than we anticipate.

If we are not successful in commercializing our PowerBuoy system, or are significantly delayed in doing so, our business, financial condition and results of operations could be adversely affected.

The reduction or elimination of government subsidies and economic incentives for renewable energy sources could prevent demand for our PowerBuoy systems from developing, which in turn would adversely affect our business, financial condition and results of operations.

Federal, state and local governmental bodies in many countries, most notably France, Spain, the United Kingdom, Australia, Japan and the United States, have provided subsidies in the form of tariff subsidies, rebates, tax credits and other incentives to utilities, power generators and distributors using renewable energy. However, these incentives and subsidies generally decline over time, and many incentive and subsidy programs have specific expiration dates. Moreover, because the market for electricity generated from wave energy is at an early stage of development, some of the programs may not include wave energy as a renewable energy source eligible for the incentives and subsidies.

Currently, the cost of electricity generated from wave energy, without the benefit of subsidies or other economic incentives, substantially exceeds the price of electricity in most significant markets in the world. As a result, the near-term growth of the market for our utility PowerBuoy systems, which are designed to feed electricity into a local or regional power grid, depends significantly on the availability and size of government incentives and subsidies for wave energy. As renewable energy becomes more of a competitive threat to conventional energy providers, companies active in the conventional energy business may increase their lobbying efforts in order to encourage governments to stop providing subsidies for renewable energy, including wave energy. We cannot predict the level of any such efforts, or how governments may react to such efforts. The reduction, elimination or expiration of government incentives and subsidies, or the exclusion of wave energy technology from those incentives and subsidies, may result in the diminished competitiveness of wave energy relative to conventional and non-wave energy renewable sources of energy. Such diminished competitiveness could materially and adversely affect the growth of the wave energy industry, which could in turn adversely affect our business, financial condition and results of operations.

In 2000, we entered into an agreement with Woodside Sustainable Energy Solutions Pty. Ltd., or Woodside, under which we received $0.6 million in exchange for granting Woodside an option to purchase, at a 30% discount from the then-prevailing market rate, up to 500,000 metric tons of carbon emission credits we generate during the years 2008 through 2012. However, if by December 31, 2012 we do not become entitled under applicable laws to the full amount of emission credits covered by the option, we are obligated to return the option fee of $0.6 million, less the aggregate discount on any emission credits sold to Woodside prior to such date. If we receive emission credits under applicable laws and fail to sell to Woodside the credits up to the full amount of emission credits covered by the option, Woodside is 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).

Our product development costs have been steadily increasing and are likely to increase significantly over the next several years.

Our product development costs primarily relate to our efforts to increase the maximum rated output of our current 40kW utility PowerBuoy system in successive stages to 500kW in 2010. Our product development costs were $4.1 million in the nine months ended January 31, 2007 as compared to $2.6 million in the same period in 2006, and were $4.2 million in fiscal 2006 as compared to $0.9 million in fiscal 2005 and $0.3 million in fiscal 2004. We anticipate that our product development costs related to the planned increase in the output of our utility PowerBuoy system will increase significantly over the next several years.

We have invested, and will continue to invest, funds to construct demonstration wave power stations that may generate little or no direct revenue.

We have constructed and plan to construct in the future demonstration wave power stations to establish the feasibility of wave energy technology and to encourage the market adoption of our wave power stations. Demonstration wave power stations allow potential customers to see first-hand the viability of wave energy technology as a source of electricity. We incur significant costs in constructing and maintaining these demonstration wave power stations, and we may generate little or no direct revenue from them.

Our PowerBuoy systems do not have a sufficient operating history to confirm how they will perform over their estimated 30-year useful life.

We began developing and testing wave energy technology nearly 10 years ago. However, to date we have only manufactured eight PowerBuoy systems for use in testing and development. The longest continuous in-ocean deployment of our PowerBuoy system has been for 12 months. As a result, our PowerBuoy systems do not have a sufficient operating history to confirm how they will perform over their estimated 30-year useful life. Our technology has not been deployed commercially and we have not yet demonstrated that our engineering and test results can be duplicated in commercial production. We have conducted and plan to continue to conduct practical testing of our PowerBuoy system. If our PowerBuoy system ultimately proves ineffective or unfeasible, we may not be able to engage in commercial production of our products or we may become liable to our customers for quantities we are obligated but are unable to produce. If our PowerBuoy systems perform below expectations, we could lose customers and face substantial repair and replacement expense which could in turn adversely affect our business, financial condition and results of operations.

Our future success depends on our ability to increase the maximum rated power output of our utility PowerBuoy system. If we are unable to increase the maximum rated output of our utility PowerBuoy system, the commercial prospects for our utility PowerBuoy system would be adversely affected.

One of our goals is to increase the maximum rated output of our utility PowerBuoy system, which is currently 40kW, to 150kW in 2007, then to 250kW in 2008 and ultimately to 500kW in 2010. Our success in meeting this objective depends on our ability to significantly increase the power output of our PowerBuoy system in a cost-effective and timely manner and our ability to overcome the engineering and deployment hurdles that we face, including developing design and construction techniques that will enable the larger PowerBuoy systems to be deployed cost effectively and without damage, and developing adjustments to the mooring system to account for the larger sized PowerBuoy systems. We have experienced delays in the development and deployment of our PowerBuoy system in the past, and could experience similar delays or other difficulties in the future. If we cannot increase the power output of the PowerBuoy system, or if it takes us longer to do so than we anticipate, we may be unable to expand our business, maintain our competitive position, satisfy our contractual obligations or become profitable. In addition, if the cost associated with these development efforts exceeds our projections, our results of operations will be adversely affected.

If we do not reach full commercial scale, we may not be able to offer a cost competitive power station and the commercial prospects of our utility PowerBuoy system would be adversely affected.

Unless we reach full commercial scale, which we estimate to be manufacturing levels of at least 300 units of 500kW PowerBuoy systems per year, we may not be able to offer an electricity solution that competes on a non-subsidized basis with today's price of wholesale electricity in key markets in the United States, Europe, Japan and Australia. If we do not reach full commercial scale, the commercial prospects for our utility PowerBuoy system would be adversely affected.

We have not yet deployed a wave power station consisting of an array of two or more PowerBuoy systems. If we are unable to deploy a multiple-system wave power station, our revenues may not increase, and we may be unable to achieve and then maintain profitability.

We have not yet deployed a wave power station consisting of an array of two or more PowerBuoy systems. Our success in developing and deploying a wave power station consisting of an array of two or more PowerBuoy systems is contingent upon, among other things, receipt of required governmental permits, obtaining adequate financing, successful array design implementation and finally, successful deployment and connection of the PowerBuoy systems.

We have not conducted ocean testing or otherwise installed in the ocean a multiple-system wave power station. In particular, unlike single-system wave power stations, multiple-system wave power stations require use of an underwater substation to connect the cables from, and collect the electricity generated by, each PowerBuoy system in the array. If our underwater substation does not work as we anticipate, we will need to design an alternative system, which could delay our business plans. In addition, unanticipated issues may arise with the logistics and mechanics of deploying and maintaining multiple PowerBuoy systems at a single site and the additional equipment associated with these multiple-system wave power stations.

We may be unsuccessful in accomplishing any of these tasks or doing so on a timely basis. The development and deployment of an array of PowerBuoy systems may require us to incur significant expenses for preliminary engineering, permitting and legal and other expenses before we can determine whether a project is feasible, economically attractive or capable of being financed.

If we are unable to deploy larger PowerBuoy systems cost effectively and without damage to the systems, we may be unable to compete effectively.

We will need to build larger buoys in order to increase the output of our current PowerBuoy systems. The larger buoys will be more difficult than our current buoys to deploy cost effectively and without damage. Our current deployment methodologies, including transportation to the installation site and the mooring of the PowerBuoy systems, will need to be revised for PowerBuoy systems with greater output. If we cannot develop cost effective methodologies for deployment of the larger PowerBuoy systems, or if it takes us longer to do so than we anticipate, we may not be able to deploy such systems in the time we anticipate or at all. Therefore, even if we succeed in increasing the output of our PowerBuoy systems above 40kW, if we are unable to deploy these larger PowerBuoy systems or encounter problems in doing so, we may be unable to expand our business, maintain our competitive position, satisfy our contractual obligations or become profitable.

If we are not successful in completing the development of wave power stations in Spain or France, it would materially harm our business, financial condition and results of operations.

In July 2006, we entered into an agreement for the first phase of the construction of a wave power station off the coast of Santoña, Spain, with our customer, Iberdrola Energias Marinas de Cantabria, S.A., or Iberdrola Cantabria. We refer to this agreement as the Spain construction agreement. Iberdrola Cantabria was formed by affiliates of Iberdrola and Total, two Spanish governmental agencies and us for the purpose of constructing and operating a wave power station off the coast of Spain. Under the Spain construction agreement, we have agreed to manufacture and deploy no later than December 31, 2009 one 40kW PowerBuoy system and the ocean-based substation and infrastructure required to connect nine additional 150kW PowerBuoy systems that together are contemplated to constitute a 1.39MW wave power station. Under the terms of the agreement, our revenues are limited to reimbursement for our construction costs without any mark-up. In addition, we are required to bear the first €0.5 million of any cost overruns. As of January 31, 2007, we had recognized an anticipated loss of $0.5 million under the Spain construction agreement.

In addition, because the Spain construction agreement does not cover the terms for deployment of all ten PowerBuoy units, we will need to enter into a subsequent contract with Iberdrola Cantabria before we complete construction of the full wave power station. If we are unable to successfully manufacture all ten PowerBuoy units or meet the terms of the Spain construction agreement, or if we are not able to successfully negotiate a subsequent contract with Iberdrola Cantabria for the deployment of the nine additional PowerBuoy units, we may lose a material component of our current and anticipated revenue stream. Iberdrola Cantabria has the right to terminate the agreement if we interrupt our services for more than 180 days and do not resume within a 30-day period or if the first phase of construction is not complete by December 31, 2009 for reasons attributable to us, or for a serious and repeated breach of a major obligation that is not cured within a 30-day period after we receive notice of the breach. If Iberdrola Cantabria were to terminate the Spain construction agreement for any of these reasons, we may not be able to find another company to fund development of the wave power station.

Under our agreement with affiliates of Iberdrola and Total to study and assess the feasibility of a wave power station off the coast of France, either of Iberdrola or Total may withdraw. In addition, in order to proceed with development of the France wave power station, all three parties must conclude that development is feasible. If we proceed, Iberdrola, Total and we will form a new company for the purpose of constructing and operating the wave power station. If either Iberdrola or Total withdraws or does not agree that development of the wave power station is feasible, we may not be able to proceed with development of the wave power station. In addition, if we withdraw from the France project, we will remain obligated to supply and install equipment and provide the new company with assistance and information so that a new company can operate the wave power station.

If either of the Spain or France projects were cancelled or otherwise interrupted, it would adversely affect our business, financial condition and results of operations.

If we are unable to successfully negotiate and enter into operations and maintenance contracts with our customers on terms that are acceptable to us, our ability to diversify our revenue stream will be impaired.

An important element of our business strategy is to maximize our revenue opportunities with our existing and future customers by seeking to enter into operations and maintenance contracts with them under which we would be paid fees for operating and maintaining wave power stations that they have purchased from us. Even if customers purchase our PowerBuoy systems, they may not enter into operations and maintenance contracts with us. We may not be able to negotiate operations and maintenance contracts that provide us with any profit opportunities. Even if we successfully negotiate and enter into such operations and maintenance contracts, our customers may terminate them prematurely or they may not be profitable for a variety of reasons, including the presence of unforeseen hurdles or costs. In addition, our inability to perform adequately under such operations and maintenance contracts could impair our efforts to successfully market the PowerBuoy systems. Any one of these outcomes could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to fulfill our obligations under our current operations and maintenance contract in a cost effective manner, our financial condition and results of operations could be adversely affected.

In January 2007, we entered into an agreement with Iberdrola Cantabria for the monitoring, operation and maintenance of the 40kW PowerBuoy system and the ocean-based substation and infrastructure to be manufactured and deployed under the Spain construction agreement. Under this operations and maintenance agreement, we are required to provide services for two years following provisional acceptance of the PowerBuoy system and substation and infrastructure. We are to be paid a fixed fee for scheduled maintenance, ongoing operations and other routine services. In connection with any unscheduled repairs we perform under the operations and maintenance agreement, Iberdrola Cantabria and we will agree on the fees, if any, and timing, for those services. To the extent we would otherwise have profits from the fixed fee at the end of the two-year initial term of the agreement, we are obligated to reimburse Iberdrola Cantabria for any fees paid to us for unscheduled repairs. If the costs we actually incur in connection with providing services under the operations and maintenance agreement exceed the fees we receive, we will incur a loss in connection with these services, which could adversely affect our financial condition and results of operations.

Our inability to effectively manage our growth could adversely affect our business and operations.

The scope of our operations to date has been limited, and we do not have experience operating on the scale that we believe will be necessary to achieve profitable operations. Our current personnel, facilities, systems and internal procedures and controls are not adequate to support our future growth. We plan to add sales, marketing and engineering offices in additional locations, including Australia, Japan, continental Europe and the west coast of the United States. By the end of fiscal 2010, we currently estimate that we will need to add approximately 90,000 square feet of leased space for sales, marketing, engineering, assembly and testing in order to meet our current manufacturing targets.

To manage the expansion of our operations, we will be required to improve our operational and financial systems, procedures and controls, increase our manufacturing capacity and throughput and expand, train and manage our employee base, which must increase significantly if we are to be able to fulfill our current manufacturing and growth plans. Our management will also be required to maintain and expand our relationships with customers, suppliers and other third parties, as well as attract new customers and suppliers. If we do not meet these challenges, we may be unable to take advantage of market opportunities, execute our business strategies or respond to competitive pressures.

Problems with the quality or performance of our PowerBuoy systems could adversely affect our business, financial condition and results of operations.

Our agreements with customers will generally include guarantees with respect to the quality and performance of our PowerBuoy systems. For example, our agreement to complete the first phase of the construction of a 1.39MW wave power station off the coast of Santoña, Spain contains guarantees associated with this first phase regarding the quality, replacement and repair of the 40kW PowerBuoy system and ocean-based substation and the level of power output of the 40kW PowerBuoy system.

Because of the limited operating history of our PowerBuoy systems, we have been required to make assumptions regarding the durability, reliability and performance of the systems, and we cannot predict whether and to what extent we may be required to perform under the guarantees that we expect to give our customers. Our assumptions could prove to be materially different from the actual performance of our PowerBuoy systems, causing us to incur substantial expense to repair or replace defective systems in the future. We will bear the risk of claims long after we have sold our PowerBuoy systems and recognized revenue. Moreover, any widespread product failures could adversely affect our business, financial condition and results of operations.

We currently depend on a limited number of customers for substantially all of our revenues. The loss of, or a significant reduction in revenues from, any of these customers could significantly reduce our revenues and harm our operating results.

In the nine months ended January 31, 2007, we generated substantially all of our revenues from three entities. The US Navy, our largest customer, accounted for approximately 57% of our revenues during that period, while Iberdrola and Total accounted for 32% of our revenues. In fiscal 2006, revenues from the US Navy accounted for approximately 61% of our total revenues. We expect that revenues from the US Navy will account for a substantial portion of our total revenues in fiscal 2007. In addition, our current contract with the US Navy expires in April 2008. We will be required to enter into additional contracts with the US Navy, which will require appropriation by the US Congress and the US Navy in order to receive additional funding. Additional funding for our project with the US Navy may not be approved or we may not be able to negotiate future agreements with the US Navy on acceptable terms, if at all.

Generally, we recognize revenue on 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.

Because we currently have a small number of customers and contracts, problems with a single contract can adversely affect our business, financial condition and results of operations. For example, our revenues in fiscal 2006 decreased significantly from fiscal 2005 primarily as a result of unanticipated delays in our contract with the US Navy.

Historically, we have relied on a small group of customers for substantially all of our revenue, and such concentration will continue for the foreseeable future. The loss of any of our customers or their default in payment could adversely affect our business, financial condition and results of operations.

Our relationships with our alliance partners may not be successful and we may not be successful in establishing additional relationships, which could adversely affect our ability to commercialize our products and services.

An important element of our business strategy is to enter into development agreements and strategic alliances with regional utility and energy companies committed to providing electricity from renewable energy sources. If we are unable to reach agreements with suitable alliance partners, we may fail to meet our business objectives for the commercialization of our PowerBuoy system. We may face significant competition in seeking appropriate alliance partners. Moreover, these development agreements and strategic alliances are complex to negotiate and time consuming to document. We may not be successful in our efforts to establish additional strategic relationships or other alternative arrangements. The terms of any additional strategic relationships or other arrangements that we establish may not be favorable to us. In addition, these relationships may not be successful, and we may be unable to sell and market our PowerBuoy systems to these companies and their affiliates and customers in the future, or growth opportunities may not materialize, any of which could adversely affect our business, financial condition and results of operations.

Our investments in joint ventures could be adversely affected by our lack of sole decision-making authority, our reliance on a co-venturer's financial condition and disputes between us and our co-venturers.

It is part of our strategy to co-invest in wave power projects with third parties through joint ventures by acquiring non-controlling interests in special purpose entities. In these situations, we will not be in a position to exercise sole decision-making authority regarding the joint venture. Investments in joint ventures involve risks that would not be present were a third party not involved, including the possibility that our co-venturers might become bankrupt or fail to fund their share of required capital contributions. Our co-venturers may have economic or other business interests or goals that are inconsistent with our business interests or goals, and may be in a position to take actions that are contrary to our policies or objectives. Disputes between us and our co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business. Consequently, actions by, or disputes with, partners or co-venturers might result in subjecting wave power projects undertaken by the joint venture to additional risk.

Our targeted markets are highly competitive. We compete with other renewable energy companies and may have to compete with larger companies that enter into the renewable energy business. If we are unable to compete effectively, we may be unable to increase our revenues and achieve or maintain profitability.

The renewable energy industry, particularly in our targeted markets of coastal North America, the west coast of Europe, the coasts of Australia and the east coast of Japan, is highly competitive and continually evolving as participants strive to distinguish themselves and compete with the larger electric power industry. Competition in the renewable energy industry is likely to continue to increase with the advent of several renewable energy technologies, including tidal and ocean current technologies. If we are not successful in manufacturing systems that generate competitively priced electricity, we will not be able to respond effectively to competitive pressures from other renewable energy technologies.

Moreover, the success of renewable energy generation technologies may cause larger electric utility and other energy companies with substantial financial resources to enter into the renewable energy industry. These companies, due to their greater capital resources and substantial technical expertise, may be better positioned to develop new technologies.

Our inability to respond effectively to such competition could adversely affect our business, financial condition and results of operations.

We have limited manufacturing experience. If we are unable to increase our manufacturing capacity in a cost-effective manner, our business will be materially harmed.

We plan to manufacture key components of our PowerBuoy systems, including the advanced control and generation systems. However, we have only manufactured our PowerBuoy systems in limited quantities for use in development and testing and have little commercial manufacturing experience. Our future success depends on our ability to significantly increase both our manufacturing capacity and production throughput in a cost-effective and efficient manner. In order to meet our growth objectives, by the end of fiscal 2010 we will need to increase our engineering and manufacturing staff by over 120 people. There is intense competition for hiring qualified technical and engineering personnel, and we may not be able to hire a sufficient number of qualified engineers to allow us to meet our growth objectives.

We may be unable to develop efficient, low-cost manufacturing capabilities and processes that will enable us to meet the quality, price, engineering, design and production standards or production volumes necessary to successfully commercialize our PowerBuoy systems. If we cannot do so, we may be unable to expand our business, satisfy our contractual obligations or become profitable. Even if we are successful in developing our manufacturing capabilities and processes, we may not be able to do so in time to meet our commercialization schedule or satisfy the requirements of our customers.

Failure by third parties to supply or manufacture components of our products or to deploy our systems timely or properly could adversely affect our business, financial condition and results of operations.

We are highly dependent on third parties to supply or manufacture components of our PowerBuoy systems. If, for any reason, our third-party manufacturers or vendors are not willing or able to provide us with components or supplies in a timely fashion, or at all, our ability to manufacture and sell many of our products could be impaired.

We do not have long-term contracts with our third-party manufacturers or vendors. If we do not develop ongoing relationships with vendors located in different regions, we may not be successful at controlling unit costs as our manufacturing volume increases. We may not be able to negotiate new arrangements with these third parties on acceptable terms, if at all.

In addition, we rely on third parties, under our oversight, for the deployment and mooring of our PowerBuoy systems. We have utilized several different deployment methods, including towing the PowerBuoy system to the deployment location, and transporting the PowerBuoy system to the deployment location by barge or ocean workboat. If these third parties do not properly deploy our systems, cannot effectively deploy the PowerBuoy system on a large, commercial scale or otherwise do not perform adequately, or if we fail to recruit and retain third parties to deploy our systems in particular geographic areas, this could adversely affect our business, financial condition and results of operations.

Business activities conducted by our third-party contractors and us involve the use of hazardous materials, which require compliance with environmental and occupational safety laws regulating the use of such materials. If we violate these laws, we could be subject to significant fines, liabilities or other adverse consequences.

Our manufacturing operations, in particular some of the activities undertaken by our third-party suppliers and manufacturers, involve the controlled use of hazardous materials. Accordingly, our third-party contractors and we are subject to foreign, federal, state and local laws governing the protection of the environment and human health and safety, including those relating to the use, handling and disposal of these materials. We cannot completely eliminate the risk of accidental contamination or injury from these hazardous materials. In the event of an accident or failure to comply with environmental or health and safety laws and regulations, we could be held liable for resulting damages, including damages to natural resources, fines and penalties, and any such liability could adversely affect our business, financial condition and results of operations.

Environmental laws and regulations are complex, change frequently and have tended to become stringent over time. While we have budgeted for future capital and operating expenditures to maintain compliance, we cannot assure you that environmental laws and regulations will not change or become more stringent in the future. Therefore, we cannot assure you that our costs of complying with current and future environmental and health and safety laws, and any liabilities arising from past or future releases of, or exposure to, hazardous substances will not adversely affect our business, financial condition or results of operations.

If we become ineligible for or are otherwise unable to replace any contract with the US federal government that is not extended or is terminated, our business, financial condition and results of operations will be adversely affected.

We derive a significant portion of our revenue from US federal government contracts, which are subject to special funding restrictions, regulatory requirements and eligibility standards and which the government may terminate at any time or determine not to extend after their scheduled expiration. During fiscal 2006, we derived approximately 61% of our total revenue from contracts with the US Navy.

US federal government contracts are subject to funding restrictions that generally limit the government's funding commitments to one federal fiscal year. There is no guarantee that our federal contracts will continue to be funded even if we perform successfully. If sufficient funds are not made available for subsequent contract periods of a multi-year program, the government's obligations will end, which in turn will adversely affect our business, financial condition and results of operations.

Our contracts with the US Navy contain provisions permitting it to terminate the contract for its convenience, as well as for our default. A decision by a government agency not to exercise option periods or to terminate contracts could result in significant revenue shortfalls.

If the government terminates a contract for convenience, then we may recover only our incurred or committed costs, settlement expenses and profit on work completed prior to the termination. We cannot recover anticipated profit on terminated work. If the government terminates a contract for default, then we may not recover even those amounts, and instead we may be liable for excess costs incurred by the government in procuring undelivered items and services from another source. We cannot predict if the government will terminate or choose not to extend our Federal government contracts. The government has never terminated any of our contracts; however, it may do so at any time.

US federal government contracts are also subject to contractual and regulatory requirements that may increase our costs of doing business and could expose us to substantial contractual damages, civil fines and criminal penalties for noncompliance. These requirements include business ethics, equal employment opportunity, environmental, foreign purchasing, most-favored pricing and accounting provisions, among others. Payments that we receive under US federal government contracts are subject to audit and potential refunds for at least three years after the final contract payment is received.

The loss of federal funding designed to promote innovative research by small businesses may adversely affect our research and development costs and revenues.

Most of our federal contracts were awarded through a special US government program designed to promote innovative research by small businesses called Small Business Innovation Research, or SBIR. The SBIR program provides funds to qualified small businesses to further their technological research and development activities and provides incentives to these companies to profit from commercialization of their technology. SBIR funding represents both revenues and outside research and development investment dollars for companies that receive it. The program is open to companies that are majority owned and controlled by individual US citizens or permanent resident aliens, or by a parent entity that meets this standard. Our revenues from the SBIR program were approximately $0.8 million for the first nine months of fiscal 2007 and approximately $1.1 million for fiscal 2006.

Increased institutional, corporate or foreign ownership as a result of this offering will likely make us ineligible for the SBIR program, which may adversely affect our ability to win future government contracts. We intend to continue to seek research and development funding from other sources, including funding from existing government customers under non-SBIR programs. Our inability to replace SBIR contracts with funds from other sources could result in reduced revenues and higher internal research and development costs, and therefore adversely affect our operating results.

We market and sell, and plan to market and sell, our products in numerous international markets. If we are unable to manage our international operations effectively, our business, financial condition and results of operations could be adversely affected.

We market and sell, and plan to market and sell, our products in a number of foreign countries, including France, Spain, the United Kingdom, Australia and Japan, and we are therefore subject to risks associated with having international operations. International operations accounted for 4% of our revenues in fiscal 2005, 9% of our revenues in fiscal 2006 and 35% of our revenues for the first nine months of fiscal 2007. Risks inherent in international operations include, but are not limited to, the following:

- changes in general economic and political conditions in the countries in which we operate;
- unexpected adverse changes in foreign laws or regulatory requirements, including those with respect to renewable energy, environmental protection, permitting, export duties and quotas;
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our PowerBuoy systems and make us less competitive in some countries;
- fluctuations in exchange rates may affect demand for our PowerBuoy systems and may adversely affect our profitability in US dollars to the extent the price of our PowerBuoy systems and cost of raw materials and labor are denominated in a foreign currency;
- difficulty with staffing and managing widespread operations;
- difficulty of, and costs relating to compliance with, the different commercial and legal requirements of the overseas markets in which we offer and sell our PowerBuoy systems;
- inability to obtain, maintain or enforce intellectual property rights; and
- difficulty in enforcing agreements in foreign legal systems.

Our business in foreign markets requires us to respond to rapid changes in market conditions in these countries. Our overall success as a global business depends, in part, on our ability to succeed in differing legal, regulatory, economic, social and political conditions. We may not be able to develop and implement policies and strategies that will be effective in each location where we do business, which in turn could adversely affect our business, financial condition and results of operations.

We may not be able to raise sufficient capital to grow our business.

We have in the past needed to raise funds to operate our business, and we may need to raise additional funds to manufacture our PowerBuoy systems in commercial quantities. If we are unable to raise additional funds when needed, our ability to operate and grow our business could be impaired. We do not know whether we will be able to secure additional funding or funding on terms favorable to us. Our ability to obtain additional funding will be subject to a number of factors, including market conditions, our operating performance and investor sentiment. These factors may make the timing, amount, terms and conditions of additional funding unattractive. If we issue additional equity securities, our existing stockholders may experience dilution or be subordinated to any rights, preferences or privileges granted to the new equity holders.

Our financial results may fluctuate from quarter to quarter, which may make it difficult to predict our future performance.

Our financial results may fluctuate as a result of a number of factors, many of which are outside of our control. For these reasons, comparing our financial results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our future quarterly and annual expenses as a percentage of our revenues may be significantly different from those we have recorded in the past or which we expect for the future. Our financial results in some quarters may fall below expectations. Any of these events could cause our stock price to fall. Each of the risk factors listed in this "Risk Factors" section, including the following factors, may adversely affect our business, financial condition and results of operations:

- delays in permitting or acquiring necessary regulatory consents;

- delays in the timing of contract awards and determinations of work scope;
- delays in funding for or deployment of wave energy projects;
- changes in cost estimates relating to wave energy project completion, which under percentage of completion accounting principles could lead to significant charges to previously recognized revenue or to changes in the timing of our recognition of revenue from those projects;
- delays in meeting specified contractual milestones or other performance criteria under project contracts or in completing project contracts that could delay the recognition of revenue that would otherwise be earned;
- reductions in the availability or level of subsidies and incentives for renewable energy sources;
- decisions made by parties with whom we have commercial relationships not to proceed with anticipated projects;
- increases in the length of our sales cycle; and
- reductions in the efficiency of our manufacturing processes.

Currency translation and transaction risk may adversely affect our business, financial condition and results of operations.

Our reporting currency is the US dollar, and we conduct our business and incur costs in the local currency of most countries in which we operate. As a result, we are subject to currency translation risk. In fiscal 2006, approximately 9% of our revenues were generated outside the United States and denominated in Euros and in the first nine months of fiscal 2007, 32% of our revenues were generated outside the United States and denominated in Euros and 3% of our revenues were generated outside the United States and denominated in Australian dollars. We expect a large percentage of our revenues to be generated outside the United States and denominated in foreign currencies in the future. Changes in exchange rates between foreign currencies and the US dollar could affect our revenues and cost of revenues, and could result in exchange losses. In addition, we incur currency transaction risk whenever one of our operating subsidiaries enters into either a purchase or a sales transaction using a different currency from our reporting currency. For example, our agreement with Iberdrola Cantabria for the first phase of the construction of a wave power station off the coast of Santoña, Spain is denominated in Euros, and we expect that we will enter into a number of purchase and supply contracts with local Spanish companies also denominated in Euros in connection with the project. We cannot accurately predict the impact of future exchange rate fluctuations on our results of operations. Currently, we do not engage in any exchange rate hedging activities and, as a result, any volatility in currency exchange rates may have an immediate adverse effect on our business, results of operations and financial condition.

Existing regulations and policies and changes to these or new regulations and policies may present technical, regulatory and economic barriers to the use of wave energy technology, which may significantly reduce demand for our PowerBuoy systems.

The market for electricity generation equipment is heavily influenced by foreign, federal, state and local government regulations and policies concerning the electric utility industry, as well as policies promulgated by electric utilities. These regulations and policies often relate to electricity pricing and connection to the power grid. In the United States and in a number of other countries, these regulations and policies currently are being modified and may be modified again in the future. Utility company and independent power producer purchases of, or further investment in the research and development of, alternative energy sources, including wave energy technology, could be deterred by these regulations and policies, which could result in a significant reduction in the potential demand for our PowerBuoy systems.

As the renewable energy industry continues to develop and as the generation of power from wave energy in particular achieves commercial acceptance, we anticipate that wave energy technology and our PowerBuoy systems and their deployment will be subject to increased oversight and regulation. We are unable to predict the nature or extent of regulations that may be imposed or adopted. Any new government regulations or utility policies pertaining to wave energy or our PowerBuoy systems may result in significant additional expenses to us and our customers and, as a result, could adversely affect our business, financial condition and results of operations.

If we are unable to obtain all necessary regulatory permits and approvals, we will not be able to implement our planned projects.

Offshore development of electric power generating facilities is heavily regulated. Each of our planned projects is subject to multiple permitting and approval requirements. With respect to our projects in Spain and France, we are dependent upon our customers to obtain any necessary permits and approvals, and with respect to our project in Cornwall, England, we are dependent on a regional government agency for such permits and approvals. Due to the unique nature of large scale commercial wave power stations, we would expect our projects to receive close scrutiny by permitting agencies, approval authorities and the public, which could result in substantial delay in the permitting process. Successful challenges by any parties opposed to our planned projects could result in conditions limiting the project size or in the denial of necessary permits and approvals.

If we are unable to obtain necessary permits and approvals in connection with any or all of our projects, those projects would not be implemented and our business, financial condition and results of operations would be adversely affected. Further, we cannot assure you that we have been or will be at all times in complete compliance with all such permits and approvals. If we violate or fail to comply with these permits and approvals, we could be fined or otherwise sanctioned by regulators.

We face hurricane- and storm-related risks and other risks typical of a marine environment which could adversely affect our business, financial condition and results of operations.

Our PowerBuoy systems are deployed in the ocean where they are subject to many hazards including severe storms and hurricanes, which could damage them and result in service interruptions. Our systems are also subject to more frequent lock-downs caused by higher waves during winter storm and hurricane seasons, which will reduce annual energy output. We cannot predict whether we will be able to recover from our insurance providers the additional costs that we may incur due to damage caused to our PowerBuoy systems, or whether we will continue to be able to obtain insurance for hurricane- and storm-related damages or, if obtainable and carried, whether this insurance will be adequate to cover our liabilities. Any future hurricane-or storm-related costs could adversely affect our business, financial condition and results of operations.

Since our PowerBuoy systems can only be deployed in certain geographic locations, our ability to grow our business could be adversely affected.

Our systems are designed to work in sites with average annual wave energy of at least 20kW per meter of wave front. Not all coastal areas worldwide have appropriate natural resources for our PowerBuoy systems to harness wave energy. Seasonal and local variations, water depth and the effect of particular locations of islands and other geographical features may limit our ability to deploy our PowerBuoy systems in coastal areas. If we are unable to identify and deploy PowerBuoy systems at sufficient sites near major population centers, our ability to grow our business could be adversely affected.

If we are unable to attract and retain management and other qualified personnel, we may not be able to achieve our business objectives.

Our success depends on the skills, experience and efforts of our senior management and other key development, manufacturing, and sales and marketing employees. We cannot be certain that we will be able to attract, retain and motivate such employees. The loss of the services of one or more of these employees could have a material adverse effect on our business. There is a risk that we will not be able to retain or replace these key employees. We have entered into employment agreements with Dr. George Taylor, our chief executive officer, Charles Dunleavy, our senior vice president and chief financial officer, Mark Draper, the chief executive officer of our UK subsidiary, and John Baylouny, our senior vice president, engineering; however, the agreements permit the employees to terminate their employment with little notice. Implementation of our expansion plans will be highly dependent upon our ability to hire and retain additional senior executives.

In addition, our anticipated growth will require us to hire a significant number of qualified technical, commercial and administrative personnel. In order to meet our short-term goals, by the end of 2007, we plan to add approximately 15 to 20 employees, including a vice president of business development. The remainder will primarily be engineers with varying areas of expertise. By the end of fiscal 2010, we will need to increase our staff by nearly six times in order to meet our current manufacturing targets. The majority of our new hires will be engineers with varying levels and areas of expertise, project managers and manufacturing personnel. There is intense competition from other companies and research and academic institutions for qualified personnel in the areas of our activities. If we cannot continue to attract and retain, on acceptable terms, the qualified personnel necessary for the continued development of our business, we may not be able to sustain our operations or grow at a competitive pace.

Any acquisitions that we make or joint venture agreements that we enter into, or any failure to identify appropriate acquisition or joint venture candidates, could adversely affect our business, financial condition and results of operations.

From time to time, we evaluate potential strategic acquisitions of complementary businesses, products or technologies, as well as consider joint ventures and other collaborative projects. We may not be able to identify appropriate acquisition candidates or strategic partners, or successfully negotiate, finance or integrate any businesses, products or technologies that we acquire. We do not have any experience with acquiring companies or products. Any acquisition we pursue could diminish the proceeds from this offering available to us for other uses or be dilutive to our stockholders, and could divert management's time and resources from our core operations.

Strategic acquisitions, investments and alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information and loss of control of operations that are material to our business. In addition, strategic acquisitions, investments and alliances may be expensive to implement. For example, under the France project, our entitlement to retain our current percentage interest is subject to our ability to make a proportionate capital investment, which we may be unable to finance. Moreover, strategic acquisitions, investments and alliances subject us to the risk of non-performance by a counterparty, which may in turn lead to monetary losses that materially and adversely affect our business, financial condition and results of operations.

Section 404 of the Sarbanes-Oxley Act of 2002 will require us to document and test our internal control over financial reporting for fiscal 2008 and beyond and will require an independent registered public accounting firm to report on our assessment as to the effectiveness of these controls. Any delays or difficulty in satisfying these requirements could adversely affect our future results of operations and our stock price.

Section 404 of the Sarbanes-Oxley Act of 2002 will require us to document and test the effectiveness of our internal control over financial reporting in accordance with an established internal control framework and to report on our conclusion as to the effectiveness of our internal controls. It will also require an independent registered public accounting firm to test our internal control over financial reporting and report on the effectiveness of such controls for our fiscal year ending April 30, 2008 and subsequent years. An independent registered public accounting firm will also be required to test, evaluate and report on the completeness of our assessment. In addition, upon completion of this offering, we will be required under the Securities Exchange Act of 1934 to maintain disclosure controls and procedures and internal control over financial reporting. Moreover, it may cost us more than we expect to comply with these control- and procedure-related requirements.

We may in the future discover areas of our internal controls that need improvement, particularly with respect to businesses that we may acquire. We cannot be certain that any remedial measures we take will ensure that we implement and maintain adequate internal controls over our financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we are unable to conclude that we have effective internal control over financial reporting, or if our independent registered public accounting firm is unable to provide us with an unqualified opinion regarding the effectiveness of our internal control over financial reporting as of April 30, 2008 and in future periods as required by Section 404, investors could lose confidence in the reliability of our consolidated financial statements, which could result in a decrease in the value of our common stock. Failure to comply with

Section 404 could potentially subject us to sanctions or investigations by the SEC, The Nasdaq Stock Market or other regulatory authorities.

Risks Related to Intellectual Property

If we are unable to obtain or maintain intellectual property rights relating to our technology and products, the commercial value of our technology and products may be adversely affected, which could in turn adversely affect our business, financial condition and results of operations.

Our success and ability to compete depends in part upon our ability to obtain protection in the United States and other countries for our products by establishing and maintaining intellectual property rights relating to or incorporated into our technology and products. We own a variety of patents and patent applications in the United States and corresponding patents and patent applications in several foreign jurisdictions. However, we have not obtained patent protection in each market in which we plan to compete. In addition, we do not know how successful we would be should we choose to assert our patents against suspected infringers. Our pending and future patent applications may not issue as patents or, if issued, may not issue in a form that will be advantageous to us. Even if issued, patents may be challenged, narrowed, invalidated or circumvented, which could limit our ability to stop competitors from marketing similar products or limit the length of term of patent protection we may have for our products. Changes in either patent laws or in interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property or narrow the scope of our patent protection, which could in turn adversely affect our business, financial condition and results of operations.

Our contracts with the government could negatively affect our intellectual property rights, and our ability to commercialize our products could be impaired.

Our agreements with the US Navy help fund research and development of our PowerBuoy system. When new technologies are developed with US federal government funding, the government obtains certain rights in any resulting patents, technical data and software, generally including, at a minimum, a nonexclusive license authorizing the government to use the invention, technical data or software for non-commercial purposes. These rights may permit the government to disclose our confidential information to third parties and to exercise "march-in" rights. March-in rights refer to the right of the US government to require us to grant a license to the technology to a responsible applicant or, if we refuse, the government may grant the license itself. US government-funded inventions must be reported to the government. US government funding must be disclosed in any resulting patent applications, and our rights in such inventions will normally be subject to government license rights, periodic post-contract utilization reporting, foreign manufacturing restrictions and march-in rights.

The government can exercise its march-in rights if it determines that action is necessary because we fail to achieve practical application of the technology or because action is necessary to alleviate health or safety needs, to meet requirements of federal regulations or to give preference to US industry. Our government-sponsored research contracts are subject to audit and require that we provide regular written technical updates on a monthly, quarterly or annual basis, and, at the conclusion of the research contract, a final report on the results of our technical research. Because these reports are generally available to the public, third parties may obtain some aspects of our sensitive confidential information. Moreover, if we fail to provide these reports or to provide accurate or complete reports, the government may obtain rights to any intellectual property arising from the related research. Funding from government contracts also may limit when and how we can deploy our technology developed under those contracts.

If we are unable to protect the confidentiality of our proprietary information and know-how, the value of our technology and products could be adversely affected, which could in turn adversely affect our business, financial condition and results of operations.

In addition to patented technology, we rely upon unpatented proprietary technology, processes and know-how, particularly with respect to our PowerBuoy control and electricity generating systems. We generally seek to protect this information in part by confidentiality agreements with our employees, consultants and third parties. These agreements may be breached, and we may not have adequate remedies for any such breach. In addition, our trade secrets may otherwise become known or be independently developed by competitors.

If we infringe or are alleged to infringe intellectual property rights of third parties, our business, financial condition and results of operations could be adversely affected.

Our products may infringe or be claimed to infringe patents or patent applications under which we do not hold licenses or other rights. Third parties may own or control these patents and patent applications in the United States and abroad. From time to time, we receive correspondence from third parties offering to license patents to us. Correspondence of this nature might be used to establish that we received notice of certain patents in the event of subsequent patent infringement litigation. Third parties could bring claims against us that would cause us to incur substantial expenses and, if successfully asserted against us, could cause us to pay substantial damages. Further, if a patent infringement suit were brought against us, we could be forced to stop or delay manufacturing or sales of the product or component that is the subject of the suit.

As a result of patent infringement claims, or in order to avoid potential claims, we may choose or be required to seek a license from the third party and be required to pay license fees or royalties or both. These licenses may not be available on acceptable terms, or at all. Even if we were able to obtain a license, the rights may be nonexclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we could be forced to cease some aspect of our business operations if, as a result of actual or threatened patent infringement claims, we are unable to enter into licenses on acceptable terms. This could significantly and adversely affect our business, financial condition and results of operations.

In addition to infringement claims against us, we may become a party to other types of patent litigation and other proceedings, including interference proceedings declared by the United States Patent and Trademark Office and opposition proceedings in the European Patent Office, regarding intellectual property rights with respect to our products and technology. The cost to us of any patent litigation or other proceeding, even if resolved in our favor, could be substantial. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Patent litigation and other proceedings may also absorb significant management time.

Risks Related to the Offering

Provisions in our corporate charter documents and under Delaware law may delay or prevent attempts by our stockholders to change our management and hinder efforts to acquire a controlling interest in us.

After we reincorporate in Delaware, provisions of our certificate of incorporation and bylaws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which our stockholders might otherwise receive a premium for their shares. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management. These provisions include:

- advance notice requirements for stockholder proposals and nominations;
- the inability of stockholders to act by written consent or to call special meetings; and
- the ability of our board of directors to designate the terms of and issue new series of preferred stock without stockholder approval, which could be used to institute a “poison pill” that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors.

The affirmative vote of the holders of at least 75% of our shares of capital stock entitled to vote is necessary to amend or repeal the above provisions of our certificate of incorporation. In addition, absent approval of our board of directors, our bylaws may only be amended or repealed by the affirmative vote of the holders of at least 75% of our shares of capital stock entitled to vote.

In addition, Section 203 of the Delaware General Corporation Law prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person which together with its affiliates owns or within the last three years has owned 15% of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Accordingly, after we reincorporate in Delaware, Section 203 may discourage, delay or prevent a change in control of our company.

An active trading market for our common stock may not develop in the United States, and you may not be able to resell your shares at or above the initial public offering price.

Prior to this offering, there has been no public market for shares of our common stock in the United States. Our common stock has been listed on the AIM market of the London Stock Exchange plc, referred to as the AIM market, under the symbol “OPT” since October 2003. However, there is currently a limited volume of trading in our common stock on the AIM market, which limits the liquidity of our common stock on that market. We cannot predict when or whether investor interest in our common stock on the AIM market might lead to an increase in its market price or the development of a more active trading market or how liquid that market might become.

The initial public offering price for our common stock was determined through negotiations with the underwriters based on a number of factors, including the historic trading prices of our common stock on the AIM market, that might not be indicative of prices that will prevail in the trading market for our common stock in the United States. An active trading market for our shares in the United States may never develop or be sustained following this offering. If an active market for our common stock does not develop, it may be difficult to sell shares you purchase in this offering without depressing the market price for the shares, or at all.

Liquidity in the market for our common stock may be adversely affected by our maintenance of two exchange listings.

Following this offering and after our common stock is traded on The Nasdaq Global Market, we currently expect to continue to list our common stock on the AIM market. We cannot predict the effect of having our common stock traded or listed on both of these markets. However, the dual listing of our common stock may dilute the liquidity of our common stock in one or both markets and may adversely affect the development of an active trading market for our shares in the United States.

Our stock price is likely to be volatile, and purchasers of our common stock could incur substantial losses.

The price of our common stock has been volatile on the AIM market, and after this offering our stock price is likely to continue to be volatile. The stock market in general has experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, investors may not be able to sell their common stock at or above the initial public offering price. The market price for our common stock may be influenced by many factors, including:

- the success of competitive products or technologies;
- regulatory developments in the United States and foreign countries;
- developments or disputes concerning patents or other proprietary rights;
- the recruitment or departure of key personnel;
- quarterly or annual variations in our financial results or those of companies that are perceived to be similar to us;
- market conditions in the conventional and renewable energy industries and issuance of new or changed securities analysts’ reports or recommendations;
- the failure of securities analysts to cover our common stock after this offering or changes in financial estimates by analysts;
- the inability to meet the financial estimates of analysts who follow our common stock;
- investor perception of our company and of the renewable energy industry; and
- general economic, political and market conditions.

A substantial portion of our total outstanding shares may be sold into the market at any time. This could cause the market price of our common stock to drop significantly, even if our business is doing well.

All of the shares being sold in this offering will be freely tradable without restriction or further registration under the federal securities laws, unless purchased by our "affiliates" as that term is defined in Rule 144 under the Securities Act. The approximately 2.4 million shares held by our directors and executive officers and the selling stockholders will be eligible for sale upon completion of this offering pursuant to Rule 144 subject to the volume limitations and other applicable conditions of Rule 144 upon the expiration of 180-day lock-up agreements described under "Underwriting". The balance of our outstanding shares will be immediately eligible for sale after the completion of this offering pursuant to Rule 144(k) without regard to volume limitations and other applicable conditions of Rule 144 or pursuant to other exemptions, including the 2,000,000 shares of our common stock that were sold in an offering on the AIM market in 2003.

We also intend to register all shares of our common stock that we may issue under our employee benefit plans. Once we register these shares, they can be freely sold in the public market upon issuance, subject to the lock-up agreements described in "Underwriting." Sales of a substantial number of shares of our common stock, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock.

We have broad discretion in the use of our net proceeds from this offering and may not use them effectively.

Our management will have broad discretion in the application of the net proceeds from this offering and could spend the proceeds in ways that do not improve our operating results or enhance the value of our common stock. Our stockholders may not agree with the manner in which our management chooses to allocate and spend the net proceeds. The failure by our management to apply these funds effectively could result in financial losses that could have a material adverse effect on our business and cause the price of our common stock to decline. Pending their use, we may invest our net proceeds from this offering in a manner that does not produce income or that loses value.

We have never paid cash dividends on our common stock, and we do not anticipate paying any cash dividends in the foreseeable future.

We have not paid any cash dividends on our common stock to date. We currently intend to retain our future earnings, if any, to fund the development and growth of our business. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

If you purchase shares of our common stock in this offering, you will suffer immediate and substantial dilution of your investment.

The initial public offering price of our common stock is substantially higher than the net tangible book value per share of our common stock. Therefore, if you purchase shares of our common stock in this offering, your interest will be diluted immediately to the extent of the difference between the initial public offering price per share of our common stock and the net tangible book value per share of our common stock after this offering. See "Dilution."

Provisions in our bylaws will require disclosure of information by shareholders that would not otherwise be required to be disclosed under applicable US state or US federal laws.

In accordance with the rules of the AIM market, we are required to disclose information regarding beneficial owners of three percent or more of our outstanding common stock to the AIM market. In order to allow us to comply with the AIM rules, our bylaws that will be in effect upon completion of the offering contain a provision requiring any beneficial owner of three percent or more of our outstanding common stock to notify us of his or her shareholdings, as well as of any change in his or her beneficial ownership of one percent or more of our outstanding common stock. Comparatively, none of US state or US federal laws that will be applicable to us after the offering or the rules of the SEC or The Nasdaq Global Market require stockholders to report this beneficial ownership information to us or us to disclose this information to the public or a regulatory body. We do not intend to make any such information public, unless required by law or the rules of the AIM market, the SEC or The Nasdaq Global Market.

We will incur increased costs as a result of being a public company.

As a public company in the United States, we will incur significant legal, accounting and other expenses that we have not incurred to date. In addition, the Sarbanes-Oxley Act of 2002, as well as new rules subsequently implemented by the SEC and The Nasdaq Stock Market, have required changes in corporate governance practices of public companies in the United States. We expect these new rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. In addition, we will incur additional costs associated with our United States public company reporting requirements. We also expect these new rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these new rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections titled "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," contains forward-looking statements. Forward-looking statements convey our current expectations or forecasts of future events. All statements contained in this prospectus other than statements of historical fact are forward-looking statements. Forward-looking statements include statements regarding our future financial position, business strategy, budgets, projected costs, plans and objectives of management for future operations. The words "may," "continue," "estimate," "intend," "plan," "will," "believe," "project," "expect," "anticipate" and similar expressions may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. These forward-looking statements include, among other things, statements about:

- our ability to identify and penetrate markets for our PowerBuoy systems and our wave energy technology;
- our ability to implement our commercialization strategy as planned, or at all;
- changes in current legislation or regulations that affect the demand for renewable energy;
- our ability to compete effectively in the renewable energy market;
- our limited operating history and history of operating losses;
- our sales and marketing capabilities and strategy in the United States and internationally;
- our intellectual property portfolio; and
- our estimates regarding expenses, future revenues, capital requirements and needs for additional financing.

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

You should not unduly rely on these forward-looking statements, which speak only as of the date of this prospectus. Unless required by law, we undertake no obligation to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks we describe in the reports we will file from time to time with the SEC after the date of this prospectus. See "Where You Can Find More Information."

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the 5,000,000 shares of common stock we are offering will be approximately $94.8 million, assuming an initial public offering price of $21.00 per share, the midpoint of the estimated price range shown on the cover of this prospectus, and after deducting underwriting discounts and commissions and the estimated offering expenses payable by us. If the underwriters exercise their over-allotment option in full, we estimate the net proceeds to us from this offering will be approximately $107.6 million. We will not receive any proceeds from the sale of shares of common stock by the selling stockholders as a result of any exercise by the underwriters of their over-allotment option.

The principal purposes of this offering are to obtain additional capital resources to construct demonstration wave power stations and to fund minority investments in wave station projects to encourage market adoption of our wave power stations; to fund the continued development and commercialization of our PowerBuoy system, including increases in system output; to expand our international sales and marketing capabilities; and for working capital and general corporate purposes, including potential acquisitions of complementary businesses, products or technologies. We intend to use the net proceeds of this offering as follows:

- approximately $25.0 million to construct demonstration wave power stations and approximately $25.0 million to fund minority investments in wave station projects to encourage market adoption of our wave power stations;
- approximately $10.5 million to fund the continued development and commercialization of our PowerBuoy system, including increases in system output;
- approximately $7.5 million to fund the expansion of assembly, test and field service facilities;
- approximately $4.0 million to expand our international sales and marketing capabilities; and
- the balance for working capital and other general corporate purposes.

We may also use a portion of the net proceeds to acquire complementary products, technologies or businesses, although we currently have no agreements or commitments with respect to any such transactions.

Assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and other estimated offering expenses payable by us in connection with the offering, a $1.00 increase (decrease) in the assumed public offering price of $21.00 per share of common stock would increase (decrease) our expected net proceeds by approximately $4.7 million.

As of the date of this prospectus, we cannot specify with certainty all of the particular uses for the net proceeds of this offering. The amounts and timing of our actual expenditures may vary significantly from our expectations depending upon numerous factors, including our development and commercialization efforts, our operating costs and capital expenditures, our future revenues and cash generated by operations. Accordingly, we will retain broad discretion to allocate the net proceeds of this offering among the identified uses described above, and we reserve the right to change the allocation of the net proceeds of this offering.

Pending use of the proceeds from this offering, we intend to invest the proceeds in short-term, investment-grade, interest-bearing instruments.

PRICE RANGE OF OUR COMMON STOCK

Prior to this offering, there has been no trading market for our common stock in the United States. Our common stock has been listed on the AIM market of the London Stock Exchange since October 2003 under the symbol "OPT." The historical trading prices of our common stock on the AIM market may not be indicative of prices that will prevail in the trading market for our common stock in the United States.

The following table sets forth, for the periods indicated, the high and low closing sale prices for our common stock on the AIM market as reported by the London Stock Exchange. The sales prices have been adjusted to give effect to a one-for-ten reverse stock split of our common stock to be effective prior to this offering. The sales prices for our shares of common stock on the AIM market are quoted in pound sterling (£), the lawful currency of the United Kingdom. The following table also shows the high and low closing sales price of our common stock (as adjusted to give effect to a one-for-ten reverse split to be effective prior to this offering) expressed in dollars based upon the average noon buying rate for pound sterling for the periods indicated.

	High	Low	High	Low
Year ended April 30, 2005				
First quarter	£ 8.55	£ 7.35	$ 15.56	$ 13.38
Second quarter	£ 8.15	£ 7.00	$ 14.75	$ 12.67
Third quarter	£ 9.30	£ 7.90	$ 17.58	$ 14.93
Fourth quarter	£ 11.90	£ 7.60	$ 22.61	$ 14.44
Year ended April 30, 2006				
First quarter	£ 8.45	£ 6.55	$ 15.29	$ 11.86
Second quarter	£ 10.75	£ 7.75	$ 19.24	$ 13.87
Third quarter	£ 9.25	£ 7.15	$ 16.19	$ 12.51
Fourth quarter	£ 10.70	£ 6.80	$ 18.73	$ 11.90
Year ending April 30, 2007				
First quarter	£ 10.00	£ 6.60	$ 18.50	$ 12.21
Second quarter	£ 8.90	£ 6.15	$ 16.82	$ 11.62
Third quarter	£ 9.05	£ 5.35	$ 17.56	$ 10.38
Fourth quarter (through April 5, 2007)	£ 12.35	£ 8.60	$ 24.33	$ 16.94

On April 5, 2007, the last reported sale price of our common stock on the AIM market (as adjusted to give effect to a one-for-ten reverse split to be effective prior to this offering) was £11.70 per share, or approximately $23.05 per share based on the noon buying rate for pound sterling of £1.00 = $1.97 on that date.

The following table sets forth, for the periods indicated, the high, low, average and period end noon buying rate for pound sterling, expressed in dollars per pound sterling in New York City as certified for customs purposes by the Federal Reserve Bank of New York.

	High	Low	Average	Period End
Year ended April 30, 2005				
First quarter	$ 1.87	$ 1.75	$ 1.82	$ 1.82
Second quarter	$ 1.85	$ 1.77	$ 1.81	$ 1.83
Third quarter	$ 1.95	$ 1.83	$ 1.89	$ 1.89
Fourth quarter	$ 1.93	$ 1.86	$ 1.90	$ 1.91
Year ended April 30, 2006				
First quarter	$ 1.90	$ 1.73	$ 1.81	$ 1.76
Second quarter	$ 1.84	$ 1.75	$ 1.79	$ 1.77
Third quarter	$ 1.79	$ 1.71	$ 1.75	$ 1.78
Fourth quarter	$ 1.82	$ 1.73	$ 1.75	$ 1.82
Year ending April 30, 2007				
First quarter	$ 1.89	$ 1.81	$ 1.85	$ 1.87
Second quarter	$ 1.91	$ 1.85	$ 1.89	$ 1.91
Third quarter	$ 1.98	$ 1.89	$ 1.94	$ 1.96
Fourth quarter (through April 5, 2007)	$ 1.98	$ 1.92	$ 1.95	$ 1.97

The initial public offering price for the common stock being offered by this prospectus was determined by negotiation between us and the underwriters based on a number of factors which are described in "Underwriting — Determination of Offering Price."

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock, and we do not currently anticipate declaring or paying cash dividends on our common stock in the foreseeable future. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including future earnings, capital requirements, financial conditions, future prospects, contractual restrictions and covenants and other factors that our board of directors may deem relevant.

CAPITALIZATION

The following table sets forth our cash, cash equivalents and short-term investments and capitalization as of January 31, 2007:

- on an actual basis; and
- on an as adjusted basis to reflect the sale of the 5,000,000 shares of our common stock we are offering at an assumed initial public offering price of $21.00 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	As of January 31, 2007	
	Actual	As Adjusted(1)
	(Unaudited)	
Cash, cash equivalents and certificates of deposit(1)	$ 26,657,152	$ 122,788,581
Long-term debt	$ 233,959	$ 233,959
Stockholders' equity:		
Preferred stock, par value $0.001 per share; 5,000,000 shares authorized; no shares outstanding actual and no shares outstanding as adjusted	—	—
Common stock, par value $0.001 per share; 105,000,000 shares authorized; 5,177,219 shares outstanding actual and 10,177,219 shares outstanding as adjusted	5,177	10,177
Additional paid-in capital	60,731,724	155,482,074
Accumulated deficit	(34,140,603)	(34,140,603)
Accumulated other comprehensive loss	(19,063)	(19,063)
Total stockholders' equity	26,577,235	121,332,585
Total capitalization	$ 26,811,194	$ 121,566,544

(1) Assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and other estimated offering expenses payable by us in connection with the offering, a $1.00 increase (decrease) in the assumed public offering price of $21.00 per share of common stock (the midpoint of the estimated price range set forth on the cover of this prospectus) would increase (decrease) each of cash, cash equivalents and certificates of deposit, additional paid-in capital, total stockholders' equity and total capitalization by approximately $4.7 million.

The table above should be read in conjunction with our consolidated financial statements and related notes appearing at the end of this prospectus and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this prospectus.

This table is based on 5,177,219 shares of our common stock outstanding as of January 31, 2007 (as adjusted to give effect to a one-for-ten reverse split to be effective prior to this offering) and excludes:

- 1,366,574 shares of our common stock issuable upon the exercise of stock options outstanding as of January 31, 2007 at a weighted average exercise price of $14.25 per share; and
- 803,215 shares of our common stock available for future grant under our equity compensation plans, including our new 2006 stock incentive plan, as of January 31, 2007.

DILUTION

If you invest in our common stock, your interest will be diluted immediately to the extent of the difference between the initial public offering price per share you will pay in this offering and the net tangible book value per share of our common stock after this offering.

Our actual net tangible book value as of January 31, 2007 was $26.1 million, or $5.03 per share of common stock. Net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by the number of shares of common stock outstanding.

After giving effect to the issuance and sale by us of the 5,000,000 shares of common stock in this offering, at an assumed initial public offering price of $21.00 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, less the underwriting discounts and commissions and estimated offering expenses payable by us, our net tangible book value as of January 31, 2007 would have been $120.8 million, or $11.87 per share of common stock. This represents an immediate increase in net tangible book value per share of $6.84 to existing stockholders and immediate dilution of $9.13 per share to new investors purchasing shares in this offering. Dilution per share to new investors is determined by subtracting the net tangible book value per share after this offering from the initial public offering price per share paid by a new investor. The following table illustrates the per share dilution without giving effect to the over-allotment option granted to the underwriters:

Assumed initial public offering price per share of common stock		$ 21.00
Actual net tangible book value per share as of January 31, 2007	$ 5.03	
Increase in net tangible book value per share attributable to new investors	6.84	
Adjusted tangible book value per share after this offering		11.87
Dilution per share to new investors		$ 9.13

A $1.00 increase (decrease) in the assumed public offering price of $21.00 per share would increase (decrease) the adjusted net tangible book value per share by $0.46, and the dilution per share to new investors by $0.54, assuming the number of shares offered by us in this offering as set forth on the cover page of this prospectus remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise their over-allotment option in full, our net tangible book value will increase to $12.34 per share, representing an immediate increase to existing stockholders of $7.31 per share and an immediate dilution of $8.66 per share to new investors. If any shares are issued in connection with outstanding options, you will experience further dilution.

The following table summarizes as of January 31, 2007 the number of shares of common stock purchased or to be purchased from us, the total consideration paid or to be paid and the average price per share paid by (1) the stockholders that purchased our shares in our October 2003 offering on the AIM market of the London Stock Exchange, (2) other existing stockholders and (3) new investors in this offering, before deducting underwriting discounts and commissions and other estimated expenses of this offering.

	Total Shares		Total Consideration		Average Price per Share
	Number	%	Amount	%	
Stockholders that purchased in the AIM market offering	2,000,000	19.7%	$ 42,600,000	26.2%	$ 21.30
Other existing stockholders(1)	3,177,219	31.2	15,260,000	9.4	$ 4.80
New investors	5,000,000	49.1	105,000,000	64.4	$ 21.00
Total	10,177,219	100%	$ 162,860,000	100%	

(1) Includes shares held by our directors and executive officers, 78% of which shares were purchased more than five years prior to January 31, 2007.

The table above is based on shares outstanding as of January 31, 2007 and excludes:

- 1,366,574 shares of our common stock issuable upon the exercise of stock options outstanding as of January 31, 2007 at a weighted average exercise price of $14.25 per share; and
- 803,215 shares of our common stock available for future grant under our equity compensation plans, including our new 2006 stock incentive plan, as of January 31, 2007.

If the underwriters exercise their over-allotment option in full, the following will occur:

- the percentage of shares of common stock held by existing stockholders will decrease to approximately 47% of the total number of shares of our common stock outstanding after this offering; and
- the number of shares held by new investors will be increased to 5,750,000, or approximately 53%, of the total number of shares of our common stock outstanding after this offering.

SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following selected consolidated financial data in conjunction with our consolidated financial statements and the related notes appearing at the end of this prospectus and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this prospectus. We have derived the consolidated statement of operations data for the fiscal years ended April 30, 2004, 2005 and 2006 and the consolidated balance sheet data as of April 30, 2005 and 2006 from our audited consolidated financial statements, which are included in this prospectus, as audited by KPMG LLP, our independent registered public accounting firm for fiscal 2005 and 2006 and by Deloitte & Touche LLP for fiscal 2004. We have derived the consolidated statement of operations data for the fiscal years ended April 30, 2002 and 2003 and the consolidated balance sheet data as of April 30, 2002, 2003 and 2004 from our audited consolidated financial statements, which are not included in this prospectus. We have derived the consolidated statement of operations data for the nine months ended January 31, 2006 and 2007 and the consolidated balance sheet data as of January 31, 2007 from our unaudited consolidated financial statements, which are included in this prospectus. The unaudited summary consolidated financial statement data include, in our opinion, all adjustments, consisting only of normal recurring adjustments, that are necessary for a fair presentation of our financial position and results of operations for these periods. Our historical results for any prior period are not necessarily indicative of results to be expected for any future period.

	Fiscal Years Ended April 30,					Nine Months Ended January 31,	
	2002	2003	2004	2005	2006	2006	2007
						(Unaudited)	
Consolidated Statement of Operations Data:							
Revenues	$ 1,375,339	$ 2,548,294	$ 4,713,202	$ 5,365,235	$ 1,747,715	$ 1,467,283	$ 1,513,631
Cost of revenues	3,619,996	2,555,267	4,319,850	5,170,521	2,059,318	1,920,980	2,103,108
Gross profit (loss)	(2,244,657)	(6,973)	393,352	194,714	(311,603)	(453,697)	(589,477)
Operating expenses:							
Product development costs	622,137	180,403	255,958	904,618	4,224,997	2,630,663	4,100,418
Selling, general and administrative costs	1,832,747	818,596	1,745,955	2,553,911	3,190,687	2,168,345	3,083,621
Total operating expenses	2,454,884	998,999	2,001,913	3,458,529	7,415,684	4,799,008	7,184,039
Operating loss	(4,699,541)	(1,005,972)	(1,608,561)	(3,263,815)	(7,727,287)	(5,252,705)	(7,773,516)
Other income (expense):							
Interest income, net	120,880	38,441	555,717	1,297,156	1,408,361	1,062,095	1,066,823
Other income (expense)	499,591	473	(3,500,096)(1)	1,545	74,294	75,000	13,744
Foreign exchange gain (loss)	—	—	1,585,345	1,507,145	(978,242)	(1,514,630)	1,184,499
Loss before incomes taxes	(4,079,070)	(967,058)	(2,967,595)	(457,969)	(7,222,874)	(5,630,240)	(5,508,450)
Income tax benefit	155,312	146,853	118,119	29,335	143,963	143,963	—
Net loss	$ (3,923,758)	$ (820,205)	$ (2,849,476)	$ (428,634)	$ (7,078,911)	$ (5,486,277)	$ (5,508,450)
Basic and diluted net loss per share	$ (1.30)	$ (0.27)	$ (0.71)	$ (0.08)	$ (1.37)	$ (1.06)	$ (1.06)
Basic and diluted weighted average shares outstanding	3,015,118	3,017,422	4,037,501	5,135,550	5,162,340	5,158,982	5,174,539

	As of April 30,					As of January 31,
	2002	2003	2004	2005	2006	2007
						(Unaudited)
Consolidated Balance Sheet Data:						
Cash, cash equivalents and certificates of deposit	$ 3,255,238	$ 2,246,175	$ 39,565,574(2)	$ 38,787,176	$ 32,439,365	$ 26,657,152
Working capital	1,714,786	1,177,789	38,422,395	37,903,207	30,886,029	26,224,722
Total assets	3,837,915	2,878,947	40,747,479	41,596,387	33,996,138	30,925,630
Long-term debt, net of current portion	250,000	250,000	250,000	245,844	233,959	233,959
Accumulated deficit	(17,486,799)	(18,275,132)	(21,124,608)	(21,553,242)	(28,632,153)	(34,140,603)
Total stockholders' equity	1,104,284	490,785	37,853,246	37,836,531	31,066,704	26,577,235

(1) Other expense in fiscal 2004 resulted from a one time charge incurred at the time of our stock offering on the AIM market in October 2003 relating to a 1999 agreement between us and Tyco Electronics Corp.

(2) On October 31, 2003, we completed our offering on the AIM market resulting in net proceeds to us of $38.3 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes and other financial information included elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" section of this prospectus 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.

Overview

We develop and are commercializing 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. We currently offer two PowerBuoy products, our utility PowerBuoy system and our autonomous PowerBuoy system.

We market our utility PowerBuoy system, which is designed to supply electricity to a local or regional power grid, to utilities and other electrical power producers seeking to add electricity generated by wave energy to their existing electricity supply. We market our autonomous PowerBuoy system, which is designed to generate power for use independently 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 system, including sonar and radar surveillance, offshore cellular phone service, tsunami warning, oceanographic data collection, offshore platforms and offshore aquaculture. We also offer our customers operations and maintenance services for our PowerBuoy systems, which are expected to provide a source of recurring revenues.

We were incorporated in New Jersey in April 1984 and began commercial operations in 1994. We currently have five wholly owned subsidiaries, Ocean Power Technologies Ltd., Reedsport OPT Wave Park LLC, Oregon Wave Energy Partners I, LLC, Oregon Wave Energy Partners II, LLC and Fairhaven OPT Ocean Power LLC, and we own approximately 88% of the ordinary shares of Ocean Power Technologies (Australasia) Pty Ltd. Our revenues have been generated from research contracts and development and construction contracts relating to our wave energy technology. 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 still on-going project for the development and construction of a grid-connected wave power station at the US Marine Corps Base in Oahu, Hawaii. We generated our first revenue relating to our autonomous PowerBuoy system from contracts with Lockheed Martin Corporation in fiscal 2003, and we entered into our first development and construction contract with Lockheed Martin in fiscal 2004 for the development and construction of a prototype demonstration autonomous PowerBuoy system. In fiscal 2005, we entered into a development agreement with an affiliate of Iberdrola S.A., a large electric utility company located in Spain and one of the largest renewable energy producers in the world, and other parties to jointly study the possibility of developing a wave power station off the coast of northern Spain. An affiliate of Total S.A., which is one of the world's largest oil and gas companies, joined the development agreement in June 2005. In January 2006, we completed the assessment phase of the project, and in July 2006 we entered into an agreement with Iberdrola Energias Marinas de Cantabria, S.A. to complete the first phase of the construction of a 1.39 megawatt, or MW, wave power station. In addition, we have entered into a contract with affiliates of Iberdrola and Total to assess the viability of a 2 to 5MW power station off the coast of France.

Our fiscal year ends on April 30. For the nine months ended January 31, 2007, we generated revenues of $1.5 million and incurred a net loss of $5.5 million, and for fiscal 2006 we generated revenues of $1.7 million and incurred a net loss of $7.1 million. As of January 31, 2007, our accumulated deficit was $34.1 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 PowerBuoy systems in the emerging renewable energy market. Since fiscal 2002, the US Navy has accounted for a significant majority of our revenues. We expect that over time revenues derived from utilities and other non-government commercial customers will increase more rapidly than sales to government customers and will, within a few years, represent the majority of our revenues.

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

We have historically generated revenues primarily from the development and construction of our PowerBuoy systems for demonstration purposes and, to a lesser extent, from customer-sponsored research and development. In fiscal 2006, we derived approximately 96% of our revenues from government and commercial development and construction contracts and 4% of our revenues from customer-sponsored research and development contracts. For the nine months ended January 31, 2007, we derived approximately 92% of our revenues from government and commercial development and construction contracts and 8% of our revenues from customer-sponsored research and development. Generally, we recognize revenue on 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. Because we have a small number of contracts, revisions to the percentage of completion determination or delays in meeting performance criteria or in completing projects may have a significant effect on our revenue for the periods involved. Under our agreement for the first phase of construction of a wave power station off the coast of Santoña, Spain, our revenues are limited to reimbursement for our construction costs without any mark-up and we are required to bear the first €0.5 million of any cost overruns.

Our revenues increased in each of fiscal 2003, 2004 and 2005, but decreased significantly in fiscal 2006 as a result of delays in the timing of contract award and in the approval of the scope of work relating to our project for the US Navy for the development and construction of a wave power station in Hawaii, and the determination by Lockheed Martin and some of its subcontractors not to proceed with a project under consideration that would have utilized our autonomous PowerBuoy system.

The US Navy has been our largest customer since fiscal 2002. The US Navy accounted for approximately 57% of our revenues in the nine months ended January 31, 2007, approximately 61% of our revenues in fiscal 2006, 57% of our revenues in fiscal 2005 and approximately 95% of our revenues in fiscal 2004. We anticipate that the US Navy will continue to account for a substantial portion of our revenue in fiscal 2007 and, if our commercialization efforts are successful, its relative contribution to our revenue will decline thereafter. Lockheed Martin was also a significant customer in fiscal 2006 and 2005, accounting for approximately 22% of our revenues in fiscal 2006 and approximately 32% of our revenues in fiscal 2005.

We currently focus our sales and marketing efforts on coastal North America, the west coast of Europe, the coasts of Australia and the east coast of Japan. In fiscal 2006, we derived 9%, and for the nine months ended January 31, 2007, we derived 35%, of our revenues from outside the United States. The following table provides information regarding the breakdown of our revenues by geographical region for fiscal years 2004, 2005 and 2006 and for the nine months ended January 31, 2007:

	Percentage of Revenues			
Region	Year Ended April 30, 2004	Year Ended April 30, 2005	Year Ended April 30, 2006	Nine Months Ended January 31, 2007
United States	100%	96%	91%	65%
Europe	—	4	9	32
Australia	—	—	—	3
Total	100%	100%	100%	100%

Cost of revenues

Our cost of revenues consists primarily of 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.

In the nine months ended January 31, 2007, we operated at a gross loss of approximately $0.6 million, while in fiscal 2006 we operated at a gross loss of $0.3 million and in fiscal 2005 we operated at a gross profit of $0.2 million. Our ability to operate at a gross profit will depend on our success at increasing sales of our PowerBuoy systems and on 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 research activities. Our product development costs primarily relate to our efforts to increase the output of our current 40 kilowatt, or kW, utility PowerBuoy system to 150kW in 2007, then to 250kW in 2008 and ultimately to 500kW in 2010 and, to a lesser extent, to our research and development of new products, product applications and complementary technologies. We expense all of our product development costs as incurred, except for external patent costs, which we amortize over a 17-year period commencing with the issuance date of each patent.

Our product development costs increased significantly in each of fiscal 2005 and 2006 as a result of the development of our current 40kW utility PowerBuoy system, which was introduced in fiscal 2006. We expect our product development costs to increase in absolute dollars as we continue to increase the output and efficiency of our PowerBuoy systems.

During fiscal 2006, we refocused many of our engineering and development resources that had previously been deployed on our commercial research or product development contracts on the development effort for our current 40kW PowerBuoy system, including the development of the buoy structure, the power take off system and the power grid connection. We introduced our current 40kW PowerBuoy system in fiscal 2006 — one system has been deployed for twelve months off the coast of New Jersey, one system is expected to be deployed in Hawaii for the US Navy project in April 2007 and another system is expected to be deployed for the wave power station off the coast of Spain by October 2007.

Selling, general and administrative costs

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

We expect our selling, general and administrative costs to increase in absolute dollars as we expand our sales and marketing capabilities, including increased headcount, and as a result of our becoming a public company in the United States.

Interest income, net

Interest income, net consists primarily of interest received on cash and cash equivalents and investments in commercial bank-issued certificates of deposit. Most of our cash, cash equivalents and bank-issued certificates of deposit result from the remaining proceeds of our October 2003 offering on the AIM market. Total cash, cash equivalents and certificates of deposit were $26.7 million as of January 31, 2007, $32.4 million as of April 30, 2006 and $38.8 million as of April 30, 2005. We expect that interest income will generally increase during periods of increasing interest rates and decrease during periods of declining interest rates, net of changes in invested balances. We anticipate that our interest income will increase significantly as a result of the investment of the proceeds from this offering pending the application of the proceeds as described in "Use of Proceeds."

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.

We invest in certificates of deposit and maintain cash accounts that are denominated in British pounds, Euros and Australian dollars. These foreign denominated certificates of deposit and cash accounts had a balance of $17.0 million as of January 31, 2007 and $16.7 million as of April 30, 2006, compared to our total certificates of deposits and cash account balances of $26.7 million as of January 31, 2007 and $32.4 million as of April 30, 2006. 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 year ended April 30, 2006 were recorded in Euros or British pounds.

We currently do not hedge 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 certificates of deposit 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.

Income tax benefit

As of April 30, 2006, we had federal research and development tax credits of $0.5 million and federal net operating losses of approximately $19.5 million to offset future federal taxable income. If not utilized, the credit carryforwards will expire at various dates through 2026, and the net operating loss carryforwards will expire at various dates through 2026. We may not achieve profitability in time to utilize the tax credit and net operating loss carryforwards in full or at all. In addition, the future utilization of our net operating loss carryforwards may be limited based upon changes in ownership, including changes resulting from this offering and the AIM offering in 2003, pursuant to regulations promulgated under the Internal Revenue Code. These limitations may result in the expiration of net operating losses and credits prior to utilization. As discussed in

Note 12 to our consolidated financial statements included in this prospectus, we have established valuation allowances for the full value of our deferred tax assets, which was $10.1 million as of April 30, 2006 and $12.1 million as of January 31, 2007.

In fiscal 2004, 2005 and 2006, we sold a portion of our New Jersey state net operating losses and a portion of our New Jersey research and development credits under a program offered by the State of New Jersey, and recognized income tax benefits of approximately $0.1 million in fiscal 2004, $29,000 in fiscal 2005 and approximately $0.1 million in fiscal 2006. Because we believe we are no longer eligible to participate in this program, we do not expect to sell any additional New Jersey state net operating losses or research and development credits in the future.

Results of Operations

Nine Months Ended January 31, 2006 and 2007

The following table contains selected unaudited statement of operations information, which serves as the basis of the discussion of our results of operations for the nine months ended January 31, 2006 and 2007:

	Nine Months Ended January 31, 2006		Nine Months Ended January 31, 2007		Change 2007 Period to 2006 Period	
	Amount (Unaudited)	As a % of Revenues	Amount (Unaudited)	As a % of Revenues	$ Change	% Change
Revenues	$ 1,467,283	100%	$ 1,513,631	100%	$ 46,348	3%
Cost of revenues	1,920,980	131	2,103,108	139	182,128	9
Gross loss	(453,697)	(31)	(589,477)	(39)	(135,780)	30
Operating expenses:						
Product development costs	2,630,663	179	4,100,418	271	1,469,755	56
Selling, general and administrative costs	2,168,345	148	3,083,621	204	915,276	42
Total operating expenses	4,799,008	327	7,184,039	475	2,385,031	50
Operating loss	(5,252,705)	(358)	(7,773,516)	(514)	(2,520,811)	(48)
Interest income, net	1,062,095	72	1,066,823	71	4,728	—
Other income	75,000	5	13,744	1	(61,256)	(82)
Foreign exchange (loss) gain	(1,514,630)	(103)	1,184,499	78	2,699,129	(178)
Loss before income taxes	(5,630,240)	(384)	(5,508,450)	(364)	121,790	2
Income tax benefit	143,963	10	—	—	(143,963)	(100)
Net loss	$ (5,486,277)	(374)%	$ (5,508,450)	(364)%	$ (22,173)	—%

Revenues

Revenues of $1.5 million in the first nine months of fiscal 2007 were relatively unchanged from revenues in the same period of fiscal 2006. The change in composition of revenues between the two periods reflected the following factors:

- Revenues relating to our autonomous PowerBuoy system decreased by approximately $0.3 million as a result of the completion of a development and construction contract with Lockheed Martin in the first quarter of fiscal 2006.
- Revenues relating to our utility PowerBuoy system increased by approximately $0.3 million as we started work on the first phase of construction of a 1.39MW wave power station off the coast of Spain and began to assess the feasibility of a 2 to 5MW wave power station off the coast of France in the first nine months of fiscal 2007.
- Revenues relating to our US Navy project increased by approximately $0.1 million due to a slightly higher activity level.

- Revenues decreased by approximately $0.1 million as a result of the completion of the demonstration wave power system that was deployed off the coast of New Jersey in fiscal 2006.
- Revenues were adversely affected by the determination by Lockheed Martin and some of its subcontractors not to proceed with an anticipated defense application project that would have utilized our autonomous PowerBuoy system, although this was partially offset by revenues from a contract with the US Department of Homeland Security to design and study an autonomous PowerBuoy system for offshore marine surveillance, with Lockheed Martin as our subcontractor.

Cost of revenues

Cost of revenues increased by $0.2 million, or 9%, to $2.1 million in the first nine months of fiscal 2007, as compared to $1.9 million in the same period of fiscal 2006. The decrease in gross margin in the nine months ended January 31, 2007 as compared to the same period of fiscal 2006 was primarily due to an anticipated loss of $0.5 million that was recognized in the nine months ended January 31, 2007 on our contract for a wave power station off the coast of Spain. The loss was recognized based on a change in estimated costs associated with this contract. In addition, $0.2 million of compensation expense was recorded as cost of revenues under Statement of Financial Accounting Standards, or SFAS, No. 123(R), *Share-Based Payment*, or SFAS 123(R), which requires companies to recognize compensation expense for all stock-based payments to employees. Because we adopted SFAS 123(R) effective May 1, 2006, we did not record similar compensation expense in the first nine months of fiscal 2006.

Product development costs

Product development costs increased $1.5 million, or 56%, to $4.1 million in the nine months ended January 31, 2007, as compared to $2.6 million in the same period of fiscal 2006. The substantial increase in product development costs was primarily attributable to our efforts to increase the power output of our utility PowerBuoy system. In addition, we recorded $0.2 million of compensation expense as product development costs under SFAS 123(R). Because we adopted SFAS 123(R) effective May 1, 2006, we did not record similar compensation expense in the first nine months of fiscal 2006. As a percentage of revenues, product development costs increased to 271% in the nine months ended January 31, 2007 from 179% in the same period in fiscal 2006. We anticipate that our product development costs related to the planned increase in the output of our utility PowerBuoy system will increase significantly over the next several years and that the amount of these expenditures will not necessarily be affected by the level of revenue generated over that time period. Accordingly, comparisons of product development costs as a percentage of revenue may not be meaningful.

Selling, general and administrative costs

Selling, general and administrative costs increased $0.9 million, or 42%, to $3.1 million in the nine months ended January 31, 2007, as compared to $2.2 million in the same period of fiscal 2006. The increase was primarily attributable to an increase of $0.2 million related to additional marketing expenses and consulting costs, $0.3 million in professional fees, and $0.5 million of compensation expense recorded under SFAS 123(R). Because we adopted SFAS 123(R) effective May 1, 2006, we did not record similar compensation expense in the first nine months of fiscal 2006.

Interest income, net

Interest income, net remained relatively flat at $1.1 million in the nine months ended January 31, 2007, compared to the same period of fiscal 2006, due to a reduction in the balance of our cash, cash equivalents and certificates of deposit between the two periods of $3.8 million, offset by higher interest rates.

Foreign exchange (loss) gain

Foreign exchange gain was $1.2 million in the nine months ended January 31, 2007, compared to a foreign exchange loss of $1.5 million in the same period of fiscal 2006. The gain in the first nine months of fiscal 2007 was primarily attributable to the appreciation of the British pound compared to the US dollar.

Fiscal Years Ended April 30, 2005 and 2006

The following table contains selected statement of operations information, which serves as the basis of the discussion of our results of operations for the years ended April 30, 2005 and 2006:

	Fiscal Year Ended April 30, 2005		Fiscal Year Ended April 30, 2006		Change 2006 Period to 2005 Period	
	Amount	As a % of Revenues	Amount	As a % of Revenues	$ Change	% Change
Revenues	$ 5,365,235	100%	$ 1,747,715	100%	$ (3,617,520)	(67)%
Cost of revenues	5,171,521	96	2,059,318	117	(3,112,203)	(60)%
Gross profit (loss)	194,714	4	(311,603)	(18)	(506,317)	(260)%
Operating expenses:						
Product development costs	904,618	17	4,224,997	242	3,320,379	367%
Selling, general and administrative costs	2,553,911	48	3,190,687	183	636,776	25%
Total operating expenses	3,458,529	64	7,415,684	424	3,957,155	114%
Operating loss	(3,263,815)	(61)	(7,727,287)	(442)	(4,463,472)	137%
Interest income, net	1,297,156	24	1,408,361	81	111,205	9%
Other income	1,545	—	74,294	4	72,749	4,709%
Foreign exchange gain (loss)	1,507,145	28	(978,242)	(56)	(2,485,387)	(165)%
Loss before income taxes	(457,969)	(9)	(7,222,874)	(413)	(6,764,905)	1,477%
Income tax benefit	29,335	1	143,963	8	114,628	58%
Net loss	$ (428,634)	(8)%	$ (7,078,911)	(405)%	$ (6,650,277)	1,552%

Revenues

Revenues decreased by $3.6 million in fiscal 2006, or 67%, to $1.7 million as compared to $5.4 million in fiscal 2005. The decrease in revenues was primarily attributable to the following factors:

- Revenues from our US Navy wave power station project in Hawaii decreased by approximately $1.8 million as a result of delays in the timing of contract award and in the approval of the scope of development and construction of the wave power station.
- Revenues related to our autonomous PowerBuoy system decreased by approximately $1.3 million as a result of the completion of a development and construction contract with Lockheed Martin in the first quarter of fiscal 2006, and the determination by Lockheed Martin and some of its subcontractors not to proceed with an anticipated defense application project that would have utilized our autonomous PowerBuoy system, partially offset by revenues of approximately $61,000 from a contract with the US Department of Homeland Security to design and study an autonomous PowerBuoy system for offshore marine surveillance.
- Revenues decreased by approximately $0.3 million as a result of the completion early in fiscal 2006 of the demonstration wave power station that was deployed off the coast of New Jersey under a contract with the New Jersey Board of Public Utilities.

Cost of revenues

Cost of revenues decreased by $3.1 million, or 60%, to $2.1 million in fiscal 2006 as compared to $5.2 million in fiscal 2005. The decrease in the cost of revenues was primarily attributable to the reduction in revenue during fiscal 2006. Gross loss on revenues in fiscal 2006 primarily reflected discretionary costs incurred by us in connection with the deployment of the first PowerBuoy system in Hawaii that were not reimbursed under our agreement with the US Navy.

Product development costs

Product development costs increased $3.3 million, or 367%, to $4.2 million in fiscal 2006, as compared to $0.9 million in fiscal 2005. The substantial increase in product development costs was primarily attributable to the development of our current 40kW PowerBuoy system, which was deployed in October 2005 off the coast of New Jersey and which is expected to be deployed in the second half of fiscal 2007 in Hawaii.

As discussed above, in fiscal 2006 we experienced a reduction in revenues from approximately $5.4 million in fiscal 2005 to approximately $1.7 million in fiscal 2006. In response to this reduction in revenues, during fiscal 2006 we refocused many of our engineering and development resources that had previously been deployed on our commercial research or development contracts on the product development effort for our current 40kW PowerBuoy system, including the development of the buoy structure, the power take off system and the power grid connection. We also began our efforts to increase the maximum rated output of our utility PowerBuoy system to 150kW.

Selling, general and administrative costs

Selling, general and administrative costs increased $0.6 million, or 25%, to $3.2 million in fiscal 2006, as compared to $2.6 million in fiscal 2005. The increase was primarily attributable to a $0.5 million increase in marketing expenses, including additional marketing personnel, and to increased professional fees.

Interest income, net

Interest income, net increased $0.1 million, or 9%, to $1.4 million in fiscal 2006, as compared to $1.3 million in fiscal 2005. The increase was attributable to higher interest rates in fiscal 2006, which were partially offset by a reduction of our cash, cash equivalents and bank-issued certificates of deposit balances between the two periods of approximately $6.3 million.

Other income

Other income in fiscal 2006 included the recognition of a one-time payment of $0.1 million in fiscal 2006 in connection with the termination of a license development agreement entered into in April 2003. See Note 8 to our consolidated financial statements appearing elsewhere in this prospectus.

Foreign exchange gain (loss)

In fiscal 2006, we had a foreign exchange loss of $1.0 million, as compared to a foreign exchange gain of $1.5 million in fiscal 2005. The difference was primarily attributable to the appreciation of the US dollar compared to the British pound between the two periods.

Income tax benefit

During fiscal 2006, we recorded an income tax benefit of approximately $0.1 million compared to an income tax benefit of approximately $29,000 recorded in fiscal 2005. The income tax benefit recorded in both periods resulted from our sale of New Jersey state net operating losses under a program offered by the State of New Jersey, and the increase from fiscal 2005 to fiscal 2006 reflected the sale of more state net operating losses in fiscal 2006 than in fiscal 2005. Because we believe we are no longer eligible to participate in this program, we do not expect to sell any additional New Jersey state net operating losses or research and development credits in the future.

Fiscal Years Ended April 30, 2004 and 2005

The following table contains selected statement of operations information, which serves as the basis of the discussion of our results of operations for the years ended April 30, 2004 and 2005:

	Fiscal Year Ended April 30, 2004		Fiscal Year Ended April 30, 2005		Change 2005 Period to 2004 Period	
	Amount	As a % of Revenues	Amount	As a % of Revenues	$ Change	% Change
Revenues	$ 4,713,202	100%	$ 5,365,235	100%	$ 652,033	14%
Cost of revenues	4,319,850	92	5,171,521	96	850,671	20%
Gross profit	393,352	8	194,714	4	(198,638)	(50)%
Operating expenses:						
Product development costs	255,958	5	904,618	17	648,660	253%
Selling, general and administrative costs	1,745,955	37	2,553,911	48	807,956	46%
Total operating expenses	2,001,913	42	3,458,529	64	1,456,616	73%
Operating loss	(1,608,561)	(34)	(3,263,815)	(61)	(1,655,254)	103%
Interest income, net	555,717	12	1,297,156	24	741,439	133%
Other income (expense)	(3,500,096)	(74)	1,545	0	3,501,641	(100)%
Foreign exchange gain	1,585,345	34	1,507,145	28	(78,200)	(5)%
Loss before income taxes	(2,967,595)	(63)	(457,969)	(9)	$ 2,509,626	85%
Income tax benefit	118,119	3	29,335	1	(88,784)	(75)%
Net loss	$ (2,849,476)	(60)%	$ (428,634)	(8)%	$ 2,420,842	(85)%

Revenues

Revenues increased by $0.7 million in fiscal 2005, or 14%, to $5.4 million as compared to $4.7 million in fiscal 2004. The increase in revenues was primarily attributable to the following factors:

- Revenues relating to our autonomous PowerBuoy system increased by approximately $1.5 million as a result of a development and construction contract with Lockheed Martin for an autonomous PowerBuoy system that was deployed in September 2004.
- Revenues relating to our utility PowerBuoy system increased by approximately $0.2 million as we began the development phase of the project for a wave power station off the coast of Spain in fiscal 2005.
- Revenues increased by $0.4 million as a result of the recognition of revenue attributable to work performed on the demonstration wave power station that subsequently was deployed off the coast of New Jersey.
- Revenues from our US Navy project in Hawaii decreased by approximately $1.2 million as a result of lower revenue recognized in fiscal 2005 relating to the first deployment of a PowerBuoy in Hawaii that occurred in the first month of fiscal 2005 and revenues decreased an additional $0.2 million as a result of a US Navy sponsored research contract that was completed during the first quarter of fiscal 2005 under which revenues were recognized for all of fiscal 2004.

Cost of revenues

Cost of revenues increased by $0.9 million in fiscal 2005, or 20%, to $5.2 million as compared to $4.3 million in fiscal 2004. The increase in the cost of revenues was primarily attributable to the increase in revenues. The decrease in gross margin reflected the higher level of labor-related and subcontractor costs in fiscal 2005.

Product development costs

Product development costs increased $0.6 million, or 253%, to $0.9 million in fiscal 2005, as compared to $0.3 million in fiscal 2004. The increase in product development costs was primarily attributable to our development efforts for the autonomous and utility PowerBuoy systems.

Selling, general and administrative costs

Selling, general and administrative costs increased $0.8 million, or 46%, to $2.6 million in fiscal 2005, as compared to $1.7 million in fiscal 2004. The increase was primarily attributable to increased costs of approximately $0.5 million as a result of our listing on the AIM market and increased costs of approximately $0.4 million related to our United Kingdom operations which commenced in September 2004.

Interest income, net

Interest income, net increased $0.7 million, or 133%, to $1.3 million in fiscal 2005, as compared to $0.6 million in fiscal 2004. The increase was attributable to a full year of interest income in fiscal 2005 on the proceeds from our stock offering on the AIM market in October 2003.

Other income (expense)

Other income was approximately $2,000 in fiscal 2005, compared to net other expense of $3.5 million in fiscal 2004. The $3.5 million expense in fiscal 2004 resulted from a one time $3.5 million charge at the time of our stock offering on the AIM market in October 2003 relating to a 1999 agreement between us and Tyco Electronics Corp. See Note 7 to our consolidated financial statements appearing elsewhere in this prospectus.

Foreign exchange gain

Foreign exchange gain decreased $0.1 million, or 5%, to $1.5 million in fiscal 2005, as compared to a foreign exchange gain of $1.6 million in fiscal 2004. The decrease in the foreign exchange gain was primarily attributable to lower balances of funds held in British pound-denominated cash equivalents and certificates of deposit.

Income tax benefit

During fiscal 2005, we recorded an income tax benefit of approximately $29,000 compared to an income tax benefit of $0.1 million recorded in fiscal 2004. The income tax benefit recorded in both periods resulted from our sale of New Jersey state net operating losses under a program offered by the State of New Jersey, and the decrease from fiscal 2004 to fiscal 2005 reflected the sale of fewer state net operating losses in fiscal 2005 than in fiscal 2004.

Liquidity and Capital Resources

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 three years ended April 30, 2006, our revenues were $11.8 million, our net losses were $10.4 million and our net cash used in operating activities was $9.4 million. Over that same period, we raised $38.7 million in financing activities. For the nine months ended January 31, 2007, revenues were $1.5 million and net cash used in operations was $6.6 million, reducing the capital resources available to fund our future operations and growth.

At January 31, 2007, our total cash, cash equivalents and certificates of deposit were $26.7 million. Our cash and cash equivalents are highly liquid investments with maturities of three months or less at the date of purchase and consist primarily of time deposits with large commercial banks. Our certificates of deposit are denominated in US dollars and British pounds. The certificates of deposit generally have a fixed maturity date of more than 90 days but less than one year from the date of purchase.

The primary drivers of our cash flows have been our ability to generate revenues and decrease losses related to our contracts, as well as our ability to obtain and invest the capital resources needed to fund our development. Net cash used in operating activities was $6.6 million for the nine months ended January 31, 2007. This primarily resulted from the net loss for the period of $5.5 million. We used $6.9 million of cash in investing activities for the nine months ended January 31, 2007, which consisted primarily of the purchases of certificates of deposit.

Net cash used in operating activities was $5.1 million for fiscal 2006. This primarily resulted from a net loss for the period of $7.1 million, increased by a $0.6 million reduction in our accounts payable and a $0.1 million reduction in our accrued expenses, partially offset by a $1.3 million decrease in our accounts receivable and unbilled receivables, a non-cash foreign exchange loss of $1.0 million and $0.2 million in depreciation and amortization. In fiscal 2006, the decrease in receivables was due to the large reduction in our revenues. The non-cash foreign exchange loss reflected our significant holdings of sterling-denominated certificates of deposit, which were impacted by the appreciation of the dollar against the British pound during fiscal 2006. Net cash provided by investing activities was $24.3 million for fiscal 2006 resulting primarily from $87.4 million in maturities of certificates of deposit partially offset by $62.7 million in purchases of certificates of deposit and $0.4 million in purchases of equipment and patent costs, as we invested in expanding our assembly and test facilities and developed several new patent applications as part of our ongoing investment in technology development. Net cash provided by financing activities was $0.1 million for fiscal 2006 resulting from the proceeds from the exercise of stock options.

Net cash used in operating activities was $1.9 million for fiscal 2005. This primarily resulted from the net loss for the period of $0.4 million and a non-cash foreign exchange gain of $1.5 million. The non-cash foreign exchange gain primarily reflected the impact of the appreciation of the British pound against the dollar on our holdings in sterling-denominated certificates of deposit. Changes in working capital were offset by non-cash adjustments relating to depreciation and amortization and compensation expenses related to stock option grants. Net cash used in investing activities was $25.1 million for fiscal 2005 and primarily consisted of $58.1 million in purchases of certificates of deposit, partially offset by $33.6 million in maturities of certificates of deposit. Net cash used in investing activities also reflected our $0.4 million investment in assembly and test equipment during the year. Net cash provided by financing activities was $0.2 million for fiscal 2005 resulting from the proceeds from the exercise of stock options.

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

- the success of our commercial relationships with Iberdrola, Total, the US Navy and Lockheed Martin;
- the cost of manufacturing activities;
- the cost of commercialization activities, including demonstration projects, product marketing and sales;
- our ability to establish and maintain additional commercial relationships;
- the implementation of our expansion plans, including the hiring of new employees;
- potential acquisitions of other products or technologies; and
- the costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims and other patent-related costs.

We believe that the net proceeds from this offering, together with our current cash and cash equivalents and certificates of deposit, will be sufficient to meet our anticipated cash needs for working capital and capital expenditures at least through fiscal 2008. If existing resources are insufficient to satisfy our liquidity requirements or if we acquire or license rights to additional product technologies, we may seek to sell additional equity or debt securities or obtain a credit facility. 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, 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. If we are unable to obtain required financing, we may be required to reduce the scope of our planned product development and marketing efforts, which could harm our financial condition and operating results.

Contractual Obligations

Our major outstanding contractual obligations relate to our facilities leases. We have summarized in the table below our fixed contractual cash obligations as of April 30, 2006.

	Payments Due by Period				
	Total	Less Than One Year	One to Three Years	Four to Five Years	More Than Five Years
Long-term debt	$ 246,000	$ 12,000	(1)	(1)	(1)
Operating leases	$ 1,496,000	$ 233,000	$ 435,000	$ 414,000	$ 414,000

(1) Our long-term debt consists of an interest-free loan from the New Jersey Commission on Science and Technology. The amounts to be repaid each year are determined as a percentage of revenues we receive in that year from our customer contracts that meet criteria specified in the loan agreement, with any remaining amount due on January 15, 2012.

Off Balance Sheet Arrangements

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

Quantitative and Qualitative Disclosures About Market Risk

Our primary exposure to market risk is currently confined to our cash, cash equivalents and certificates of deposit. None of these items that we hold have maturities that exceed one year. We currently do not hedge interest rate exposure. We have not used derivative financial instruments for speculative or trading purposes. Because the maturities of our cash, cash equivalents and certificates of deposit do not exceed one year, we do not believe that a change in market rates would have any significant impact on the realized value of our investments. We do not have market risk exposure on our long-term debt because it consists only of an interest-free loan from the New Jersey Board of Public Utilities.

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.

We invest in certificates of deposit and maintain cash accounts that are denominated in British pounds, Euros and Australian dollars. These foreign denominated certificates of deposit and cash accounts had a balance of $17.0 million as of January 31, 2007 and $16.7 million as of April 30, 2006, compared to our total certificates of deposits and cash account balances of $26.7 million as of January 31, 2007 and $32.4 million as of April 30, 2006. 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 year ended April 30, 2006 were recorded in Euros or British pounds. If the foreign currency exchange rates had fluctuated by 10% as of April 30, 2006, our foreign exchange loss would have changed by approximately $1.7 million.

We currently do not hedge 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 certificates of deposit 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.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations set forth above are based on our consolidated financial statements, which have been prepared in accordance with US generally accepted accounting principles. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our estimates and judgments, including those described below. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following accounting policies require significant judgment and estimates by us in the preparation of our consolidated financial statements.

Revenue recognition and deferred revenue

Generally, we recognize revenue on 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. Because we have a small number of contracts, revisions to the percentage of completion determination or delays in meeting performance criteria or in completing projects may have a significant effect on 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. We had loss reserves of $1.3 million as of January 31, 2007 related to two contracts, $0.8 million as of April 30, 2006 related to one contract and $0.8 million as of April 30, 2005 related to two contracts. For the nine months ended January 31, 2007, due to a change in estimated costs, we recognized a loss of $0.5 million on our contract for a wave power station off the coast of Spain.

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 in unbilled receivables, and to the extent that those billings exceed costs incurred plus applicable profit margin, they are recorded as unearned revenues.

Stock-based compensation

In December 2004, the Financial Accounting Standards Board issued SFAS 123(R), which requires companies to recognize compensation expense for all stock-based payments to employees, including grants of employee stock options, in their statement of operations based on the fair value of the awards. We adopted SFAS 123(R) effective May 1, 2006 using the modified prospective method. Under this method, compensation cost is recognized for all share-based payments granted subsequent to April 30, 2006, awards modified after April 30, 2006, and the remaining portion of the fair value of unvested awards at April 30, 2006. Prior to May 1, 2006, we used the intrinsic value method to determine values used in our pro forma stock-based compensation disclosures.

In March 2005, the SEC issued Staff Accounting Bulletin No. 107, or SAB 107, which provides guidance regarding the implementation of SFAS 123(R). In particular, SAB 107 provides guidance regarding calculating assumptions used in stock-based compensation valuation models, the classification of stock-based compensation expense, the capitalization of stock-based compensation costs and disclosures in filings with the SEC.

Determining the appropriate fair-value model and calculating the fair value of stock-based awards at the date of grant using any valuation model requires judgment. We use the Black-Scholes option pricing model to estimate the fair value of employee stock options, consistent with the provisions of SFAS 123(R). Option pricing models, including the Black-Scholes model, require the use of input assumptions, including expected volatility, expected term and the expected dividend rate. Because our stock is not currently publicly traded in the United States, we do not have an observable share-price volatility for the United States capital markets; therefore, we estimate our expected volatility based on that of what we consider to be similar publicly-traded companies and expect to continue to do so until such time as we have adequate historical data from our traded share price in the United States. We did not estimate our expected volatility based on the price of our common stock on the AIM market because we do not believe, based on the historically low trading volume of our shares on that market, that the price of our common stock on the AIM market is an appropriate indicator of the expected volatility of our common stock. Prior to fiscal 2007, we estimated the expected term of our options using our best estimate of the period of time from the grant date that we expect the options to remain outstanding. Beginning in fiscal 2007, we estimate the expected term using the average midpoint between the vesting terms and the contractual terms of our options as described in SAB 107. If we determine another method to estimate expected volatility or expected term is more reasonable than our current methods, or if another method for calculating these input assumptions is prescribed by authoritative guidance, the fair value calculated for future stock-based awards could change significantly. Higher volatility and longer expected terms have a significant impact on the value of stock-based compensation determined at the date of grant. The expected dividend rate is not as significant to the calculation of fair value.

In addition, SFAS 123(R) requires us to develop an estimate of the number of stock-based awards that will be forfeited due to employee turnover. Quarterly changes in the estimated forfeiture rate can have a significant effect on reported stock-based compensation. If the actual forfeiture rate is higher than the estimated forfeiture rate, then an adjustment is made to increase the estimated forfeiture rate, which will result in a decrease to the expense recognized in the consolidated financial statements during the quarter of the change. If the actual forfeiture rate is lower than the estimated forfeiture rate, then an adjustment is made to decrease the estimated forfeiture rate, which will result in an increase to the expense recognized in the consolidated financial statements. These adjustments affect our cost of revenues, product development costs and selling, general and administrative costs. Through the nine months ended January 31, 2007, the effect of forfeiture adjustments on our consolidated financial statements has been insignificant. The expense we recognize in future periods could differ significantly from the current period and/or our forecasts due to adjustments in the assumed forfeiture rates.

As a result of the adoption of SFAS 123(R), we recorded stock compensation expense of $0.9 million in the nine months ended January 31, 2007.

Income taxes

We account for income taxes in accordance with SFAS No. 109, *Accounting for Income*, or SFAS 109. Under this method, we determine deferred tax assets and liabilities based upon the differences between the financial statement carrying amounts and the tax bases of assets and liabilities, as well as credit and net operating loss carryforwards, using enacted tax rates in effect for the year in which such items are expected to affect taxable income. The tax consequences of most events recognized in the current year's financial statements are included in determining income taxes currently payable. However, because tax laws and financial accounting standards differ in their recognition and measurement of assets, liabilities, equity, revenues, expenses, gains and losses, differences arise between the amount of taxable income and pretax financial income for a year and between the tax bases of assets or liabilities and their reported amounts in the financial statements. Because we assume that the reported amounts of assets and liabilities will be recovered and settled, respectively, a difference between the tax basis of an asset or a liability and its reported amount in the balance sheet will result in a taxable or a deductible amount in some future years when the related liabilities are settled or the reported amounts of the assets are recovered, giving rise to a deferred tax asset. We then assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not likely, we establish a valuation allowance. As discussed in Note 12 to our consolidated financial statements included in this prospectus, we have established valuation allowances for the full value of our net deferred tax assets, which were $10.1 million as of April 30, 2006 and $12.1 million as of January 31, 2007.

Recent Accounting Pronouncements

In June 2005, the Financial Accounting Standards Board issued SFAS No. 154, *Accounting Changes and Error Corrections*, or SFAS 154, which requires entities that voluntarily make a change in accounting principle to apply that change retrospectively to prior periods' financial statements, unless this would be impracticable. SFAS 154 supersedes Accounting Principles Board Opinion No. 20, *Accounting Changes*, which previously required that most voluntary changes in accounting principles be recognized by including the cumulative effect of changing to the new accounting principle in the current period's net income or loss. SFAS No. 154 also makes a distinction between "retrospective application" of an accounting principle and the "restatement" of financial statements to reflect the correction of an error. Another significant change in practice under SFAS No. 154 will be that if an entity changes its method of depreciation, amortization or depletion for long-lived, non-financial assets, the change must be accounted for as a change in accounting estimate. Under Accounting Principles Board Opinion No. 20, such a change would have been reported as a change in accounting principle. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Adoption is not expected to have a material effect on our financial position or results of operations.

In July 2006, the Financial Accounting Standards Board issued Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, or FIN 48. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprises' financial statements in accordance with SFAS 109. FIN 48 prescribes a recognition and measurement method for tax positions taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transitions. FIN 48 is effective for fiscal years beginning after December 15, 2006. We are currently analyzing the effects of FIN 48 but do not expect it to have a material effect on our financial position or results of operations.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, or SAB 108. SAB 108 provides guidance on how prior year misstatements should be taken into consideration when quantifying misstatements in current year financial statements for purposes of determining whether the current year's financial statements are materially misstated. SAB 108 becomes effective during our 2007 fiscal year. We do not expect the adoption of SAB 108 to have a material impact on our consolidated financial statements.

Change in Accountants

Deloitte & Touche LLP previously served as our independent registered public accounting firm. On July 27, 2004, the audit committee of our board of directors directed us to seek proposals from several accounting firms, with respect to the audit of our consolidated financial statements for the fiscal year ended April 30, 2005. On or about August 10, 2004, Deloitte & Touche LLP notified us that it declined to stand for reappointment as our independent auditors for the fiscal year ended April 30, 2005.

Deloitte & Touche LLP's audit reports on our consolidated financial statements as of and for the years ended April 30, 2003 and 2004 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principle. In connection with its audits of our financial statements as of April 30, 2003 and 2004 and for the years then ended and during the interim period from May 1, 2004 until the date Deloitte & Touche LLP notified us that it declined to stand for reappointment as our independent auditors, there were no disagreements with Deloitte & Touche LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Deloitte & Touche LLP, would have caused Deloitte & Touche LLP to make reference to the subject matter of the disagreement in connection with its audit reports related to our fiscal 2003 and 2004 consolidated financial statements. During our two fiscal years ended April 30, 2003 and 2004 and during the interim period from May 1, 2004 until the date Deloitte & Touche LLP notified us that it declined to stand for reappointment as our independent auditors, there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

On November 24, 2004, the audit committee of our board of directors appointed KPMG LLP as our new independent registered public accounting firm for the fiscal year ended April 30, 2005. We did not consult with KPMG LLP on any financial or accounting reporting matters before its appointment.

BUSINESS

Overview

We develop and are commercializing proprietary systems that generate electricity by harnessing the renewable energy of ocean waves. The energy in ocean waves is predictable, and electricity from wave energy can be produced on a consistent basis at numerous sites located near major population centers worldwide. Wave energy is an emerging segment of the renewable energy market. Based on our proprietary technology, considerable ocean experience, existing products and expanding commercial relationships, we believe we are the leading wave energy company.

We currently offer two products as part of our line of PowerBuoy® systems: a utility PowerBuoy system and an autonomous PowerBuoy system. Our PowerBuoy system is based on modular, ocean-going buoys, which we have been ocean testing for nearly a decade. The rising and falling of the waves moves the buoy-like structure creating mechanical energy that our proprietary technologies convert into electricity. We have tested and developed wave power generation and control technology using proven equipment and processes in novel applications. Our two products are designed for the following applications:

- Our utility PowerBuoy system is capable of supplying electricity to a local or regional electric power grid. Our wave power stations will be comprised of a single PowerBuoy system or an integrated array of PowerBuoy systems, plus the remaining components required to deliver electricity to a power grid. We intend to sell our utility PowerBuoy system to utilities and other electrical power producers seeking to add electricity generated by wave energy to their existing electricity supply.
- Our autonomous PowerBuoy system is designed to generate power for use independently of the power grid in remote locations. There are a variety of potential applications for this system, including sonar and radar surveillance, offshore cellular phone service, tsunami warning, oceanographic data collection, offshore platforms and offshore aquaculture.

From October 2005 to October 2006, we operated a demonstration PowerBuoy system with a maximum peak, or rated, output of 40 kilowatts, or kW, off the coast of New Jersey under a contract with the New Jersey Board of Public Utilities. This PowerBuoy system has been removed from the ocean and is currently undergoing planned maintenance prior to re-deployment. No other PowerBuoy systems are currently deployed.

Our product development and engineering efforts are focused on increasing the maximum rated output of our utility PowerBuoy system from the current 40kW to 150kW in 2007, then to 250kW in 2008 and ultimately to 500kW in 2010. We believe by increasing system output, we will be able to decrease the cost per kW of our PowerBuoy system and the cost per kilowatt hour of the energy generated. In addition, we are focusing on expanding our key commercial opportunities for both the utility and the autonomous PowerBuoy systems. We currently have commercial relationships with the following:

- Iberdrola S.A., or Iberdrola, which is a large electric utility company located in Spain and one of the largest renewable energy producers in the world, Total S.A., or Total, which is one of the world’s largest oil and gas companies, and two Spanish governmental agencies for the first phase of the construction of a 1.39 megawatt, or MW, wave power station off the coast of Santoña, Spain. We currently plan to deploy an initial 40kW PowerBuoy system for this project by October 2007.
- Iberdrola and Total to evaluate the development of a wave power station off the coast of France.
- The United States Navy to develop and build a wave power station at the US Marine Corps Base in Oahu, Hawaii that we believe will serve as a prototype wave power station for the installation of wave power stations at other US Navy bases. One PowerBuoy system was installed in connection with this project for a total of eight months over a two-year period. We plan to deploy an improved system in April 2007.
- Lockheed Martin Corporation to market cooperatively with us our autonomous PowerBuoy system for use with Lockheed Martin equipment. Lockheed Martin successfully completed an ocean test of an autonomous PowerBuoy system in September 2004.

As part of our marketing efforts, we use demonstration wave power stations to establish the feasibility of wave power generation. In addition to the demonstration PowerBuoy system operated off the coast of New

Jersey, we plan to develop and operate two additional demonstration wave power stations. Unlike the New Jersey power system, these demonstration wave power stations will, if approved and constructed as planned, be connected to the local power grids. In February 2006, we received approval from the South West of England Regional Development Agency to install a 5MW demonstration wave power station off the coast of Cornwall, England. In February 2007, the US Federal Energy Regulatory Commission granted us a preliminary permit to evaluate the feasibility of a location off the coast of Reedsport, Oregon for the proposed construction and operation of a wave power station with an anticipated maximum rated output of 50MW, of which up to the first 5MW will be a demonstration wave power station. In February 2007, we signed a cooperative agreement with a utility partner, Pacific Northwest Generating Cooperative, for the development of a wave power station. We plan to generate incremental revenue from the demonstration wave power stations by selling electricity to utilities. Also, in March 2007, we were awarded a conditional grant from the Scottish Ministers' Wave and Tidal Energy Support Scheme, managed by the Scottish Executive. This grant is for the design, manufacture and installation of a 150kW PowerBuoy system in Orkney, Scotland.

In January 2007, we filed applications with the US Federal Energy Regulatory Commission for preliminary permits to evaluate the feasibility of two locations, off the coasts of Coos Bay, Oregon and Newport, Oregon, for the proposed construction and operation of wave power stations, each with an anticipated maximum rated output of 100MW.

Our Market

Global demand for electric power is expected to increase from 14.8 trillion kilowatt hours in 2003 to 30.1 trillion kilowatt hours by 2030, according to the Energy Information Administration, or the EIA. To meet this demand, the International Energy Agency, or the IEA, estimates that investments in new generating capacity will exceed $4 trillion in the period from 2003 to 2030, of which $1.6 trillion will be for new renewable energy generation equipment.

According to the IEA, fossil fuels such as coal, oil and natural gas generated over 60% of the world's electricity in 2002. However, a variety of factors are contributing to the development of renewable energy systems that capture energy from replenishable natural resources, including ocean waves, flowing water, wind and sunlight, and convert it into electricity.

- *Rising cost of fossil fuels.* The cost of fossil fuel used to generate electricity has been rising. From 2000 to 2005 in the United States, the cost of coal used for electricity generation increased by 28%, the cost of natural gas used for electricity generation increased by 91% and the cost of oil used for electricity generation increased by 64%.
- *Dependence on energy from foreign sources.* Many countries, including the United States, Japan and much of Europe, depend on foreign resources for a majority of their domestic energy needs. Concerns over political and economic instability in some of the leading energy producing regions of the world are encouraging consuming countries to diversify their sources of energy.
- *Environmental concerns.* Environmental concerns regarding the by-products of fossil fuels have led many countries and several US states to agree to reduce emissions of carbon dioxide and other gases associated with the use of fossil fuels and to adopt policies promoting the development of cleaner technologies.
- *Government incentives.* Many countries have adopted policies to provide incentives for the development and use of renewable energy sources, such as subsidies to encourage the commercialization of renewable energy power generation.
- *Infrastructure constraints.* In many parts of the world, the existing electricity infrastructure is insufficient to meet projected, and in some places existing, demand. Expansion of generating capacity from existing energy sources is frequently hindered by significant regulatory, political and economic constraints.

As a result of these and other factors, the EIA projects that grid-connected generating capacity fueled by renewable energy resources will continue to grow over the next 25 years.

Wave Energy

The energy in ocean waves is a form of renewable energy that can be harnessed to generate electricity. Ocean waves are created when wind moves across the ocean surface. The interaction between the wind and the ocean surface causes energy to be exchanged. At first, small waves occur on the ocean surface. As this process continues, the waves become larger and the distance between the tops of the waves becomes longer. The size of the waves, and the amount of energy contained in the waves, depends on the wind speed, the time the wind blows over the waves and the distance it covers. The rising and falling of the waves moves our PowerBuoy system creating mechanical energy that our proprietary technologies convert into usable electricity.

There are a variety of benefits to using wave energy for electricity generation.

- *Scalability within a small site area.* Due to the tremendous energy in ocean waves, wave power stations with high capacity — 50MW and above — can be installed in a relatively small area. We estimate that, upon completion of the development of our 500kW PowerBuoy system, we would be able to construct a wave power station that would occupy less than one-tenth of the ocean surface occupied by an offshore wind power station of equivalent capacity.
- *Predictability.* The supply of electricity from wave energy can be forecasted in advance. The amount of energy a wave thousands of miles away will have when it arrives at a wave power station days later can be calculated based on satellite images and meteorological data with a high degree of accuracy. Customers can use this information to develop sourcing plans to meet their short-term electricity needs.
- *Constant Source of Energy.* The annual flow of waves at specific sites can be relatively constant. Based on our studies and analysis of our target sites, we believe our wave power stations will be able to produce usable electricity for approximately 90% of all hours during a year.

There are currently several approaches, in different stages of development, for capturing wave energy and converting it into electricity. Methods for generating electricity from wave energy can be divided into two general categories: onshore systems and offshore systems. Our PowerBuoy system is an offshore system. Offshore systems are typically located one to five miles offshore and in water depths of between 100 and 200 feet. The system can be above, on or below the ocean surface. Many offshore systems utilize a floatation device to harness wave energy. The heaving or pitching of the floatation device due to the force of the waves creates mechanical energy, which is converted into electricity by various technologies. Onshore systems are located at the edge of the shore, often on a sea cliff or a breakwater and typically must concentrate the wave energy first before using it to drive an electrical generator. Although maintenance costs of onshore systems may be less than those associated with offshore systems, there are a variety of disadvantages with these systems. As waves approach the shore, the energy in the waves decreases; therefore, onshore wave power stations do not take full advantage of the amount of energy that waves in deeper water produce. In addition, there are a limited number of suitable sites for onshore systems and there are environmental and possible aesthetic issues with these wave power stations due to their size and location on the seashore.

The scalability, predictability, constancy and limited environmental impact of offshore wave energy systems such as ours compare favorably with many other renewable energy technologies.

- Hydroelectric power generates electricity by capturing energy from flowing waters typically stored in and then released from reservoirs. The expansion of hydroelectric power may be limited due to the environmental and ecological impact of hydroelectric power stations.
- Wind power generates electricity by using wind turbines to harness the energy produced as a result of the wind’s motion and to convert it into electricity. Wind turbine structures, which can be over 300 feet high and have blades with a span over 200 feet wide, require locations with plenty of open space and high average wind speeds. Due to the perceived aesthetic impact of wind turbines, some local governments have zoning restrictions prohibiting the installation of wind farms. In addition, because of their usual proximity to the shore, offshore wind farms share some of the same perceived aesthetic challenges as onshore wind farms.
- Solar power generates electricity from sunlight. Since the sun’s energy is not always available and is widely scattered, current solar power technology is not scalable to create a large power station for supplying power to the grid.
- Tidal power captures energy contained in moving water due to tides and water current power captures energy contained in ocean and river flows and non-tidal currents. Both of these technologies require specific geographic characteristics for installation, which limits the availability of suitable sites.

Our Competitive Advantages

We believe that our technology for generating electricity from wave energy and our commercial relationships give us several potential competitive advantages in the renewable energy market.

- *Our PowerBuoy system uses an ocean-tested technology to generate electricity.*
  - We have been conducting ocean tests for nearly a decade in order to prove the viability of our technology. We initiated our first ocean installation in 1997 and have had several deployments of our systems for testing and operation since then, the longest of which has lasted 12 months. Our PowerBuoy systems have survived several hurricanes and winter storms while installed in the ocean.
  - We have had an operational demonstration PowerBuoy system off the coast of New Jersey since October 2005, which system was removed from the ocean for maintenance in October 2006, and currently plan to build and deploy two additional demonstration wave power stations that, unlike the PowerBuoy system in New Jersey, will provide electricity to the local power grids. In February 2006, we received approval from the South West of England Regional Development Agency to install a demonstration wave power station off the coast of Cornwall, England and in February 2007, the US Federal Energy Regulatory Commission granted us a preliminary permit to evaluate the feasibility of a wave power station off the coast of Reedsport, Oregon, a portion of which will be for demonstration purposes.
- *Our PowerBuoy system is efficient in harnessing wave energy.*
  - Our PowerBuoy system is designed to efficiently convert wave energy into electricity by using onboard sensors to detect actual wave conditions and then to automatically adjust the performance of the generator using our proprietary electrical and electronics-based control systems in response to that information.
  - One measure of the efficiency of an electric power generation system is load factor. The load factor is the percent of kilowatt hours produced by a system in a given period as compared to the total possible kilowatt hours that could be produced by the system in that period. A high load factor indicates a high degree of utilization of the capacity of the system and provides a means to compare the efficiencies of different energy sources to produce equivalent power outputs (without taking into account the relative costs of constructing such systems). Since we have not yet operated a wave power station, we do not have a measured load factor. However, based on our research and analysis, we believe the load factor for a PowerBuoy wave power station located at most of our targeted sites would be in the range of 30% to 45%.
- *Our PowerBuoy system takes advantage of time-tested and well-known technology.*
  - Our PowerBuoy system is designed to combine features of ocean-going buoys with advanced electrical and electronics-based systems. Since standard ocean-going buoys have been deployed in maritime applications for decades, their survival and risk profiles are known and proven. By using electrical, rather than mechanical, engineering solutions whenever possible, we are able to control materials, construction and other capital costs while maintaining reliability.
  - Our PowerBuoy system can be built using easily sourced components supplied by third parties. Due to the PowerBuoy system's modular design, total construction time is minimized as multiple components can be built simultaneously, and generating capacity can be scaled up or down by incrementally adding or subtracting groups of PowerBuoy units. In addition, our PowerBuoy system can be deployed using common maritime techniques.
- *Numerous potential sites for our wave power stations are located near major population centers worldwide.*
  - Our systems are designed to work in sites with average annual wave energy of at least 20kW per meter of wave front, which can be found in many coastal locations around the world. In particular, we are targeting coastal North America, the west coast of Europe, the coasts of Australia and the east

coast of Japan. These potential sites not only have appropriate natural resources for harnessing wave energy, but they are also located near large population centers with significant and increasing electricity requirements. Due to seasonal and local variations, water depth and the effect of particular locations of islands and other geographical features, it is not necessarily the case that all locations in our targeted coastal areas are suitable sites for our systems.

- *We have significant commercial relationships.*
  - Our current projects with Iberdrola and Total provide us with an initial opportunity to sell our wave power stations to utilities. By collaborating with leaders in renewable energy development, we believe we are able to accelerate both our in-house knowledge of the utility power generation market and our reputation as a credible renewable energy equipment supplier. If these projects are successful, we intend to leverage our experiences with the Spain and France projects to add wave power stations, new customers and complementary revenue streams from operations and maintenance contracts similar to the agreement we have in connection with the Spain project.
  - For certain customers in need of electricity solutions independent of the grid in defense and related markets, our marketing relationship with Lockheed Martin will enable us to offer a complete solution — both equipment and power generation for that equipment — thereby maximizing the marketability of our autonomous PowerBuoy system for these remote applications.
  - With the funding from the US Navy, we have been able to refine our PowerBuoy system while simultaneously preparing for commercial deployment to address a particular customer need. If we are able to successfully deploy PowerBuoy systems for the US Navy, we believe our market visibility will be significantly enhanced.
- *Our PowerBuoy system has the potential to offer a cost competitive renewable energy power generation solution.*
  - Our product development and engineering efforts are focused on increasing the maximum rated output of our utility PowerBuoy system from the current 40kW to 150kW in 2007, then to 250kW in 2008 and ultimately to 500kW in 2010. Assuming we are able to reach manufacturing levels of at least 300 units of 500kW PowerBuoy systems per year, we believe, based upon our research and analysis, that the economies of scale we would have with our fabricators would allow us to offer a renewable electricity solution that competes on a non-subsidized basis with the price of wholesale electricity in key markets. We expect to complete development of our 500kW PowerBuoy system in 2010.
  - Prior to achieving full production levels of the 500kW PowerBuoy system, if we achieve economies of scale for our 150kW or 250kW PowerBuoy systems, we expect to be able to offer a renewable electricity solution that competes with the price of electricity from traditional sources in certain local markets where the current retail price of electricity is relatively high or where sufficient subsidies are available.
- *Our systems are environmentally benign and aesthetically non-intrusive.*
  - We believe that our PowerBuoy system does not present significant risks to marine life and does not emit significant levels of pollutants. In connection with our demonstration project at the US Marine Corps Base in Hawaii, our customer, the US Navy, obtained an independent environmental assessment of our PowerBuoy system prior to installation, as required by the National Environmental Policy Act. Although our project for the US Navy only contemplates an array of up to six PowerBuoy systems in Hawaii, we believe that PowerBuoy systems deployed in other geographic locations, including larger PowerBuoy systems under development and multiple-system wave power stations, would have minimal environmental impact due to the physical similarities with the tested system.
  - Since our PowerBuoy systems are typically located one to five miles offshore, PowerBuoy wave power stations are usually not visible from the shore. Visual impact is often cited as one of the

reasons that many communities have opposed plans to develop power stations. Our PowerBuoy system has the distinct advantage of having only a minimal visual profile. Only a small portion of the unit is visible at close range, with the bulk of the unit hidden below the water.

Our Business Strategy

Our goal is to strengthen our leadership in developing wave energy technologies and commercializing wave power stations and related services. In order to achieve this goal, we are pursuing the following business strategies:

- *Concentrate sales and marketing efforts on four geographic markets.* We are focusing our sales and marketing efforts over the next three years on coastal North America, the west coast of Europe, the coasts of Australia and the east coast of Japan. We believe that each of these areas represents a strong potential market for our PowerBuoy wave power stations because they combine appropriate wave conditions, political and economic stability, large population centers, high levels of industrialization and significant and increasing electricity requirements.

- *Continue to increase PowerBuoy system output.* Our product development and engineering efforts are focused on increasing the output of our PowerBuoy systems from 40kW to 500kW. We plan to increase the rated output of our PowerBuoy system to 150kW in 2007, to 250kW in 2008 and ultimately to 500kW in 2010. The key to increasing the rated output of the PowerBuoy system is to increase the system's efficiency as well as its diameter. If we increase the size of a PowerBuoy system, we will be able to increase the amount of wave energy the system can capture and, in turn, increase the output of the system. For example, if we double the size of the unit's diameter, we will approximately quadruple its power capacity. We believe that by increasing system output, we will be able to decrease the cost per kW of our PowerBuoy system and the cost per kilowatt hour of the energy generated.

- *Construct demonstration wave power stations to encourage market adoption of our wave power stations.* Our demonstration wave power stations are intended to allow us to prove the viability of our PowerBuoy systems in a particular region. By enabling customers to experience our technology first-hand, we believe we will be able to facilitate our entry into our target markets. In addition, demonstration wave power stations provide us with the opportunity to test and refine our technology in actual operating conditions. In February 2006, we were approved by the South West of England Regional Development Agency to install a 5MW demonstration wave power station off the coast of Cornwall, England. In February 2007, the US Federal Energy Regulatory Commission granted us a preliminary permit to evaluate the feasibility of a location off the coast of Reedsport, Oregon for the proposed construction and operation of a wave power station with a maximum rated output of 50MW, of which up to the first 5MW will be a demonstration wave power station. The Cornwall and Reedsport power station will, if approved and constructed as planned, be connected to local power grids.

- *Leverage customer relationships to enhance the commercial acceptance of our utility PowerBuoy system.* We currently have commercial relationships with Iberdrola and Total for two projects. We are in the first phase of the construction of a 1.39MW wave power station off the coast of Santoña, Spain, which phase is to be completed by June 30, 2008. We, along with affiliates of Iberdrola and Total, are currently assessing the viability of a 2 to 5MW power station off the coast of France. In addition, we believe that our project at the US Marine Corps Base in Oahu, Hawaii will serve as a prototype wave power station for the installation of wave power stations at other US Navy bases. We intend to build on these existing commercial relationships both by expanding the number and size of projects we have with our current customers and by entering into new alliances and commercial relationships with other utilities and independent power producers.

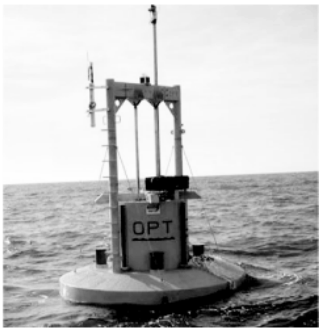
- *Expand revenue streams from our autonomous PowerBuoy system.* The autonomous PowerBuoy system addresses specific power generation needs of customers requiring off-grid electricity generation in remote locations in the open ocean. Since our PowerBuoy systems are well suited for many of these uses, we do not expect that they will require subsidies or other price incentives for commercial acceptance. This equipment might be used for powering sonar and radar surveillance, offshore cellular phone service, tsunami warning, oceanographic data collection, offshore platforms and offshore aquaculture. We have entered into a marketing cooperation agreement with Lockheed Martin to identify marketing opportunities for use of our autonomous PowerBuoy system to power Lockheed Martin equipment in remote locations.

- *Maximize revenue opportunities with existing customers.* In January 2007, we entered into an agreement for the monitoring, operation and maintenance of the 40kW PowerBuoy system and the ocean-based substation and infrastructure to be manufactured and deployed in connection with the first phase of the Spain project. Under this agreement, we will be paid a fixed fee for scheduled maintenance, ongoing operations and other routine services and fees to be negotiated for unscheduled repairs. We plan to pursue similar operations and maintenance contracts with future customers, including for our France project, in order to provide us with ongoing revenue streams.

Our Products

We offer two types of PowerBuoy systems: our utility PowerBuoy system, which is designed to supply electricity to a local or regional electric power grid, and our autonomous PowerBuoy system, which is designed to generate power for use independently of the power grid in remote locations. Both products use the same PowerBuoy technology.

Pictured below is our 40kW utility PowerBuoy system at our facilities in New Jersey and installed in the ocean off the coast of New Jersey.



Our PowerBuoy system consists of a floating buoy-like device that is loosely moored to the seabed so that it can freely move up and down in response to the rising and falling of the waves, as well as a power take off device, an electrical generator, a power electronics system and our control system, all of which are sealed in the unit.

The power take off device converts the mechanical stroking created by the movement of the unit caused by ocean waves into rotational mechanical energy, which, in turn, drives the electrical generator. The power electronics system then conditions the output from the generator into usable electricity. The operation of the PowerBuoy system is controlled by our customized control system.

The control system uses sophisticated sensors and an onboard computer to continuously monitor the PowerBuoy subsystems as well as the height, frequency and shape of the waves interacting with the PowerBuoy system. The control system collects data from the sensors and uses proprietary algorithms to electrically adjust the performance of the PowerBuoy system in real-time and on a wave-by-wave basis. By making these electrical adjustments automatically, the PowerBuoy system is able to maximize the amount of usable electricity generated from each wave. We believe that this ability to optimize the performance of the PowerBuoy system in real-time is a significant advantage of our product.

In the event of storm waves larger than 13 feet, the control system automatically locks down the PowerBuoy system and electricity generation is suspended. When the wave heights return to a normal operating range of 13 feet or less, the control system automatically unlocks the PowerBuoy system and electricity generation and transmission recommences. This safety feature prevents the PowerBuoy system from being damaged by the increased amount of energy in storm waves.

Our 40kW PowerBuoy system has a maximum diameter of 12 feet near the surface, and is 52 feet long, with approximately 13 feet of the PowerBuoy system protruding above the surface of the ocean. Larger PowerBuoy systems will be slightly longer and have a larger diameter. For example, our 500kW PowerBuoy system, once developed and manufactured, is expected to have a maximum diameter of approximately 62 feet and be approximately 128 feet long with approximately 26 feet protruding above the ocean surface.

Utility PowerBuoy System

The utility PowerBuoy system is designed to transmit electricity to shore by an underwater power cable, which would then be connected to a power grid. Our utility PowerBuoy system presently has a capacity of 40kW, which we are working to increase to 150kW in 2007, to 250kW in 2008 and ultimately to 500kW in 2010. The utility PowerBuoy system is designed to be positioned in water with a depth of 100 to 200 feet, which can usually be found one to five miles offshore. This depth allows the system to capture meaningful amounts of energy from the waves, since decreasing water depth depletes the energy in the waves.

The mooring system for keeping a utility PowerBuoy system in position connects it by slack lines to three floats that, in turn, are connected by slack lines to three anchors. This is a well-established mooring system, referred to as three-point mooring, which we have improved upon with various technologies that reduce cost and deployment time.

We refer to the entire utility power generation system at one location as a wave power station, which can either be comprised of a single PowerBuoy system or an integrated array of PowerBuoy systems connected to an underwater cable to transmit the electricity to shore. Our system is designed to be scalable as multiple PowerBuoy units can be integrated to create a wave power station with a larger output capacity. An array of PowerBuoy systems would typically be arranged in three staggered rows parallel to the incoming wave front to form a long rectangle. This staggered arrangement would maximize the level of wave energy that the wave power station can capture. For example, to create the planned 1.39MW station off the coast of Santoña, Spain, we intend to use an array of one 40kW PowerBuoy system and nine 150kW PowerBuoy systems arranged in three staggered parallel rows of two or four PowerBuoy systems each.

We have not yet deployed a wave power station consisting of an array of two or more PowerBuoy systems. We have completed the design of arrays, but have not conducted ocean testing or otherwise installed in the ocean a multiple-system wave power station. In particular, unlike single-system power stations, multiple-system power stations require use of an underwater substation to connect the cables from, and collect the electricity generated by, each PowerBuoy system in the array. If our underwater substation does not work as we anticipate, we will need to design an alternative system, which could delay our business plans. In addition, unanticipated issues may arise with the logistics and mechanics of deploying and maintaining multiple PowerBuoy systems at a single site and the additional equipment associated with these multiple-system wave power stations.

We are also exploring the use of our utility PowerBuoy systems for applications that include generating electricity for desalination of water, hydrogen production, water treatment and natural resource processing. In these instances, the power generated by the utility PowerBuoy system would bypass the grid and be delivered directly to the point of electricity consumption.

Autonomous PowerBuoy System

The autonomous PowerBuoy system is based on the same technology as the utility PowerBuoy system but is designed for electricity generation of relatively low amounts of power for use independently of the power grid in remote locations. The autonomous PowerBuoy system currently has a maximum rated output ranging from 300 watts to 40kW, depending on the application. Our autonomous PowerBuoy system is designed to operate anywhere in the ocean and in any depth of water.

We expect that autonomous PowerBuoy systems will generally be suitable for use on a stand-alone basis for providing power for specific applications, including sonar and radar surveillance, offshore cellular phone service, tsunami warning, oceanographic data collection, offshore platforms and offshore aquaculture.

Product Deployments

The following chart describes the current status of recent and planned deployments of our PowerBuoy systems. As of January 31, 2007, no PowerBuoy systems are in the water as our PowerBuoy system previously deployed off the coast of New Jersey is undergoing planned maintenance out of the water. The deployments are in most cases subject to further negotiation and agreement with third parties, including joint venture partners, and the receipt of necessary government permits and other approvals.

Location	Customer or Power Producer	Project Objective	Planned Capacity and Use	Status
Utility PowerBuoy Systems				
Santoña, Spain	Iberdrola, Total and regional and federal Spanish government agencies	Commercial electricity supply to Spain	1.39MW for grid connection	Planning phase complete; have begun construction of a 40kW PowerBuoy and underwater infrastructure; awarded operations and maintenance contract
West Coast, France	Iberdrola and Total	Commercial electricity supply to France	2 to 5MW for grid connection	In the planning and development phase
Marine Corps Base, Oahu, Hawaii	United States Navy	Demonstrate viability of wave power stations for use at US Navy bases	Electricity supply for grid connection at naval base	One system installed for a total of eight months over a two-year period; an improved system is planned to be deployed in April 2007
Cornwall, England	Wave power station to be operated by us as an independent power producer	Demonstration wave power station; commercial power supply to Cornwall, England	5MW for grid connection	In the planning and development phase
Reedsport, Oregon	Initial 5MW wave power station to be operated by us as an independent power producer	Demonstration wave power station; commercial power supply to Oregon	Initial 5MW and up to 50MW total planned for grid connection	Preliminary permit granted for 50MW wave power station; cooperative agreement signed with utility partner
Orkney, Scotland	Scottish Executive	Demonstrate operation of 150kW PowerBuoy	150kW PowerBuoy for grid connection	In the planning and development phase
Autonomous PowerBuoy Systems				
Atlantic City, New Jersey	New Jersey Board of Public Utilities	Demonstrate viability of PowerBuoy system off the coast of New Jersey	One free-standing demonstration system with a maximum rated output of 40kW	Deployed from October 2005 to October 2006; undergoing scheduled routine maintenance out of the water
Gray's Harbor, Washington (completed)	Lockheed Martin	Temporary installation to demonstrate ability to power underwater sensing and communications equipment	Up to 1kW for distributed power use on location	Testing completed successfully

Location	Customer or Power Producer	Project Objective	Planned Capacity and Use	Status
Free-standing ocean sites to be determined	US Department of Homeland Security	Design, analysis and planning of an ocean-based system to be used for detection and tracking of ocean vessels	Output to be determined; to be used for on location distributed power	Initial phase completed; further development subject to US Department of Homeland Security and other governmental approvals

Status of Utility PowerBuoy System Deployments

Our projects in Spain, France and Hawaii are being conducted in conjunction with third-party customers. We have completed the planning phase for the wave power station to be located at Santoña, Spain and currently have begun construction of a 40kW PowerBuoy system and the underwater infrastructure for the wave power station. We are paid in connection with this project as we complete milestones, which include deployment of a 40kW PowerBuoy system. Under our agreement for this first phase of construction, our revenues are limited to reimbursement for our construction costs without any mark-up and we are required to bear the first €0.5 million, or approximately $0.6 million, of any cost overruns. As of January 31, 2007, we had recognized an anticipated loss of $0.5 million under this contract. Consistent with our revenue recognition policies, each quarter we evaluate if additional loss amounts need to be recognized. In addition, the second phase of this project contemplates deployment of nine additional 150kW PowerBuoy systems and connection of the ten total PowerBuoy systems in an integrated array. The economic and other terms relating to the second phase of the project have not been negotiated. Although we plan to enter into an agreement prior to the completion of the first phase, which is expected to be in December 2009, we may not be able to successfully negotiate and enter into such an agreement. We have not completed development and testing of a 150kW PowerBuoy system and have not yet deployed a wave power station consisting of an array of two or more PowerBuoy systems. We currently plan to deploy the initial 40kW PowerBuoy system by October 2007 and the remainder of the PowerBuoy systems by April 2009.

The wave power station to be located off the west coast of France is in the planning and development phase. We currently anticipate extending the current development contract until June 2008. Before we begin construction of this wave power station, we must enter into an additional agreement with affiliates of Iberdrola and Total. Until we enter into an additional agreement, we will not receive any additional revenue in respect of the France project. We currently plan to enter into an agreement for the construction of a wave power station prior to the expiration of any extension of the current agreement in June 2008. The economic and other terms of the construction contract have not yet been negotiated, and we may not be able to successfully negotiate such an agreement.

At the Marine Corps Base in Oahu, Hawaii, we had installed a wave power system for a total of eight months over a two-year period. We are currently constructing and testing an improved PowerBuoy system that we plan to deploy in April 2007. The US Navy reimburses us for our costs and pays us a fixed fee in connection with this project. Our current contract with the US Navy expires in April 2008.

Our projects in England and Oregon are currently being funded solely by us. In February 2006, we received approval from the South West of England Regional Development Agency to install a wave power station off the coast of Cornwall, England. We are currently in the planning and development stage. This wave power station will serve as demonstration wave power station, which we intend to operate as an independent power producer. We plan to collect incremental revenue from the sale of power to electrical utilities. However, we currently do not have any revenue-generating contracts in place with respect to this project, and we may not be able to successfully negotiate and enter into any such contracts.

In February 2007, the US Federal Energy Regulatory Commission granted us a preliminary permit to evaluate the feasibility of a location off the coast of Reedsport, Oregon for the proposed construction and operation of a wave power station with anticipated capacity of 50MW. We plan to operate up to the first 5MW as an independent producer, whereby we would collect revenue from the sale of power to electrical utilities.

However, we currently do not have any revenue-generating contracts in place with respect to this project. We plan to construct the additional 45MW under a supply contract with a third-party customer who, in turn, would own and operate the wave power station. We have begun the planning and development phase of the initial wave power station and have signed a cooperative agreement with a utility partner, Pacific Northwest Generating Cooperative.

Also, in March 2007, we were awarded a conditional grant from the Scottish Ministers' Wave and Tidal Energy Support Scheme, managed by the Scottish Executive. This grant is for the design, manufacture and installation of a 150kW PowerBuoy system in Orkney, Scotland.

Status of Autonomous PowerBuoy System Deployments

Our PowerBuoy system off the coast of New Jersey was deployed from October 2005 to October 2006. This PowerBuoy system is currently undergoing planned maintenance out of the water. Prior to re-deployment, we are conducting extensive diagnostic tests on the system so that we can learn more about the effects of ocean deployments and implement improvements in future PowerBuoy systems. To date, we have discovered no significant problems with the system, and the system has required only routine maintenance. This system was not designed to supply electricity to the power grid, but rather to provide us with operational data and marketing opportunities. The PowerBuoy system is currently undergoing assessment, maintenance and repairs in our Pennington, New Jersey facilities prior to re-deployment. We were partially funded for the construction of this PowerBuoy system by the New Jersey Board of Public Utilities. We do not anticipate recognizing any additional revenue in connection with this project, nor do we expect to incur significant additional investment.

In September 2004, Lockheed Martin completed testing of a PowerBuoy system with a maximum rated output of 1kW for distributed power use on location. Subsequently, we entered into a marketing arrangement with Lockheed Martin whereby we have agreed to market cooperatively our autonomous PowerBuoy system. We expect to generate revenue after entering into agreements with new customers.

Marketing and Sales

We are developing our sales capabilities and have begun commercial marketing and selling of our PowerBuoy systems. Our marketing and sales efforts are currently led and coordinated by Dr. George W. Taylor, our chief executive officer, and Mr. Mark R. Draper, the chief executive of Ocean Power Technologies Limited, our wholly-owned subsidiary located in the United Kingdom. Because our products use a new commercial technology, the decision process of a customer requires substantial educational efforts, in which many of our employees may participate. We are currently seeking to hire a vice president of business development and marketing.

In addition to our own direct sales, we will continue to enter into development agreements and strategic alliances with regional utility and energy companies committed to providing electricity from renewable energy sources. We plan to leverage these relationships to sell and market our PowerBuoy wave power stations to these companies and their affiliates and to other customers in the region. We plan to expand our relationships by entering into long-term operations and maintenance contracts to support completed wave power stations.

In order to penetrate international markets, we plan to implement marketing strategies that respond to local market demands. In particular markets, we may grant licenses to local businesses, including independent power producers, to sell, manufacture or operate PowerBuoy wave power stations. For example, in January 2007, we entered into an agreement for the monitoring, operation and maintenance of the 40kW PowerBuoy system and the ocean-based substation and infrastructure to be manufactured and deployed in connection with the first phase of the Spain project. Under this operations and maintenance agreement, we are required to provide services for two years following provisional acceptance of the PowerBuoy system and substation and infrastructure. We are to be paid a fixed fee for scheduled maintenance, ongoing operations and other routine services. In connection with any unscheduled repairs we perform under the agreement, the parties will agree on the fees, if any, and timing for those services. To the extent we would otherwise have profits from the fixed fee at the end of the two-year initial term of the agreement, we are obligated to refund any fees paid to us for unscheduled repairs.

Utility PowerBuoy System Marketing

We plan to market our utility PowerBuoy systems to utilities and independent power producers interested in adding electricity generated from renewable sources to their existing electricity supply. We are currently targeting customers in coastal North America, the west coast of Europe, the coasts of Australia and the east coast of Japan. In addition, we are exploring the use of our utility PowerBuoy systems for applications that include desalination of water, hydrogen production, water treatment and natural resource processing. In these instances, the power generated by the utility PowerBuoy system would bypass the grid and be delivered directly to the point of electricity consumption.

Subsidies and Incentives

Countries in Europe and Asia and several states in the United States have adopted a variety of government subsidies to allow renewable sources of electricity to compete with conventional sources of electricity, such as fossil fuels. Government subsidies and incentives generally focus on grid-connected systems and take several forms, including tariff subsidies, renewable portfolio standards, rebates, tax incentives and low interest loans. In addition, the adoption by governments of limits on carbon dioxide emissions and targets for renewable energy production has spurred a market for trading of surplus carbon credits and renewable energy certificates.

We expect to be able to use the availability of subsidies and other incentives to market the electricity generated by wave power stations as an alternative to fossil fuel generated electricity. We plan to educate potential customers on the availability of these incentives and, where appropriate, work with them to prepare and file the necessary applications, select sites to meet program requirements and take advantage of these incentives.

Demonstration Wave Power Stations

We use demonstration PowerBuoy systems to establish the feasibility of providing wave-generated electricity to customers. Demonstration wave power stations allow potential customers to see first-hand the viability of wave energy as a significant source of electricity. Since October 2005, we have operated a demonstration PowerBuoy system off the coast of New Jersey, which allowed us to continuously monitor the system and evaluate its performance in actual wave conditions. This PowerBuoy system was removed from the ocean for maintenance in October 2006. Although the system did not supply electricity to the power grid, it provided us with valuable operational data as well as important marketing opportunities.

We have identified a site off the coast of the United Kingdom to install a demonstration wave power station of up to 5MW that will connect to the power grid in Cornwall, England. In connection with the development of this wave power station, we are planning to take advantage of incentives offered in the United Kingdom to encourage growth in power derived from renewable sources.

The US Federal Energy Regulatory Commission has granted us a preliminary permit to develop a 50MW PowerBuoy wave power station off the coast of Oregon that will be connected to the local power grid, the first phase of which is expected to be a 5MW demonstration wave power station. We will need additional authorization from the US Federal Energy Regulatory Commission to sell electric power generated from the Oregon wave power station into the wholesale or retail markets.

Autonomous PowerBuoy System Marketing

There are a variety of potential customers, such as the US Department of Homeland Security, that have specific needs for off-grid power generation that can be supplied by our autonomous PowerBuoy. Potential applications for off-grid power supply include sonar and radar surveillance, offshore cellular phone service, tsunami warning, oceanographic data collection, offshore platforms and offshore aquaculture.

In September 2006, we entered into a marketing cooperation agreement with Lockheed Martin under which Lockheed Martin’s Maritime Systems and Sensory business unit and we will work together to identify marketing opportunities for our autonomous PowerBuoy system. For each marketing opportunity Lockheed Martin and we agree to pursue, a subsequent agreement will be entered into setting forth the terms of the specific arrangement. There are no assurances that we will be able to reach any such agreement with Lockheed

Martin. The marketing cooperation agreement terminates in September 2009, and either Lockheed Martin or we may terminate the agreement earlier upon 30 days' prior written notice.

Customers

The table below shows the percentage of our revenue we derived from significant customers for the periods indicated:

Customer	Fiscal 2004	Fiscal 2005	Fiscal 2006	Nine Months Ended January 31, 2007
US Navy	95%	57%	61%	57%
New Jersey Board of Public Utilities	1%	7%	5%	—
Iberdrola and Total	—	4%	9%	32%
Lockheed Martin	4%	32%	22%	—
US Department of Interior for Department of Homeland Security	—	—	3%	3%
National Institute of Standards and Technologies	—	—	—	5%
Australian Greenhouse Office	—	—	—	3%

We anticipate that the US Navy will continue to account for a substantial portion of our revenue in fiscal 2007 and, if we are successful in obtaining commercial acceptance of our systems, its relative contribution to our revenue will decline thereafter. In the first nine months of fiscal 2007, we recognized revenues of $37,000 relating to a renewable energy project for the Australian Greenhouse Office under an agreement signed in 1998. We also completed a funded research study for the National Institute of Standards and Technologies and recognized revenues of $75,000 in the first nine months of fiscal 2007.

Our potential customer base for our utility PowerBuoy systems consists of public utilities, independent power producers and other governmental entities and agencies. Our potential customer base for our autonomous PowerBuoy systems consists of different public and private entities who use electricity in and near the ocean. Our efforts to identify new customers are concentrated on four geographic markets: coastal North America, the west coast of Europe, the coasts of Australia and the east coast of Japan. Our efforts to identify new customers are currently led and coordinated by Dr. George W. Taylor, our chief executive officer, and Mr. Mark R. Draper, the chief executive of Ocean Power Technologies Ltd., our wholly-owned subsidiary located in the United Kingdom. We also use consultants and other personnel to assist us in locating potential customers.

Spain Project

In July 2004, we entered into a development agreement, which we refer to as the Spain development agreement, with Iberdrola Energias Renovables II, S.A., an affiliate of Iberdrola, Sociedad para el Desarrollo Regional de Cantabria, S.A., or SODERCAN, which is the industrial development agency of the Spanish region of Cantabria, and Instituto para la Diversificacion y Ahorro de la Energia, S.A., or IDAE, a Spanish government agency dedicated to energy conservation and diversification efforts, to jointly study the possibility of developing a wave power station off the coast of Santoña, located in the Cantabria region in northern Spain. Total Eolica S.A., an affiliate of Total, joined the development agreement in June 2005. In January 2006, we completed the assessment phase of the project, which included an assessment of wave energy resources at the site, feasibility analysis for deployment at the site, determination of capacity and design, and an estimation of investments needed for the project as well as anticipated costs for operation, maintenance and repairs. Expenses associated with this phase were shared among the parties to the agreement based on agreed upon percentages. As of January 31, 2007, we had invested less than $0.1 million for our share of the assessment phase funding, and had recognized revenue of approximately $0.4 million under the Spain development agreement.

In July 2006, Iberdrola Energias Marinas de Cantabria, S.A., or Iberdrola Cantabria, was formed for the purpose of constructing and operating a wave power station off the coast of Santoña, Spain. Iberdrola Energias is the largest shareholder of Iberdrola Cantabria. Total Eolica, SODERCAN, IDAE and we each have minority ownership positions. Expenses will be shared among the parties to the agreement based on agreed upon percentages. We own 10% of Iberdrola Cantabria.

In July 2006, we entered into a construction agreement with Iberdrola Cantabria, which we refer to as the Spain construction agreement. Under this agreement, we have agreed to complete the first phase of the construction of a 1.39MW wave power station. This phase of construction includes the manufacturing and deployment of one 40kW PowerBuoy system, installation of the underwater power transmission cable and the deployment of the underwater substation required for connecting the 40kW PowerBuoy system with nine additional 150kW PowerBuoy systems that together are contemplated to constitute the 1.39MW wave power station. Under the Spain construction agreement, our revenues are limited to reimbursement for our construction costs without any mark-up and we are required to bear the first €0.5 million of any cost overruns. The Spain construction agreement does not cover the terms for the second phase of the 1.39MW wave power station project, which encompasses the deployment of the nine additional 150kW PowerBuoy systems. We will need to agree to the terms for the second phase of this project and enter into a subsequent contract with Iberdrola Cantabria before we can complete the construction of the full wave power station. We currently plan to deploy the initial 40kW PowerBuoy system for this project by October 2007, and, if we can reach agreement as to the second phase of the project, we plan to deploy the remainder of the PowerBuoy systems by April 2009. Under the Spain construction agreement, Iberdrola Cantabria has the right to terminate the agreement if we interrupt our services for more than 180 days and do not resume within a 30-day period, the first phase of construction is not completed by December 31, 2009 for reasons attributable to us, or for a serious and repeated breach of a major obligation that is not cured within a 30-day period after we receive notice of the breach. In addition, we have made guarantees to Iberdrola Cantabria associated with the first phase of construction in respect of the quality, repair and replacement of the 40kW PowerBuoy system and ocean-based substation and the level of power output of the 40kW PowerBuoy system.

We are paid under the Spain construction agreement as we complete certain milestones for a total potential payment for the first phase of construction of approximately €2.7 million. As of January 31, 2007, we had recognized revenue of less than $0.5 million and recognized an anticipated loss of $0.5 million under the Spain construction agreement. The loss was recognized based on a change in estimated costs associated with the Spain construction agreement. In order to receive additional funding for the project, we must enter into additional contracts with Iberdrola Cantabria. There are no assurances that we will be able to reach agreement with Iberdrola Cantabria for the future phases of the project.

France Project

In June 2005, we entered into a development agreement, which we refer to as the France development agreement, with Total Energie Development S.A., an affiliate of Total, and Iberdrola Energias Renovables II, S.A., an affiliate of Iberdrola, to study and assess the feasibility of a 2 to 5MW wave power station off the coast of France. Pursuant to the France development agreement, the parties have agreed to extend the current phase until June 2007. Expenses are shared among the parties based on agreed upon percentages, which also reflect the parties' anticipated ownership interest in the wave power station. Iberdrola Energias has a majority interest, while Total Energie and we have minority interests. Our interest is 10%. In addition, pursuant to the France development agreement, we are restricted from developing or building, or supplying equipment for use in, a PowerBuoy system for any other customer in France until December 2008.

If upon completion of the feasibility study, Iberdrola Energias, Total Energie and we unanimously conclude that the operation of a wave power station off the coast of France is economically, technically and financially feasible, we will meet to discuss whether and how the wave power station should be implemented. If we proceed, Iberdrola Energias, Total Energie and we will form a company for the purpose of constructing and operating the wave power station. Each party will be entitled to retain its current percentage interest by making a proportionate capital investment. Regardless of our participation in the new company, we are obligated to supply and install equipment on market terms so that the new company can operate the wave power station. Specific terms, including price and schedule, for these supply and installation obligations are not included in the France development agreement. Iberdrola Energias and Total Energie may withdraw from the France development agreement. If we withdraw, however, we will remain bound by our supply and installation obligations under the contract.

As of January 31, 2007, we had contributed approximately $11,500 for expenses and had recognized revenue of approximately $0.1 million under the France development agreement. In order to receive additional funding for the project, we must enter into additional contracts. There are no assurances that we will be able to reach agreement for future phases of the project.

US Navy

Since September 2001, we have entered into a series of contracts with the United States Office of Naval Research for the development and construction of a wave power station at the Marine Corps Base in Oahu, Hawaii. Under the contract for the current phase of the project, which was entered into in September 2005 and expires in April 2008, we are reimbursed for costs and paid a fixed fee for total potential revenue of $2.8 million.

In order to receive additional funding for the project, we must enter into additional contracts with the Office of Naval Research, which will require appropriation of funds by the US Congress. There are no assurances that our funding will be approved or that we will be able to reach agreement with the Office of Naval Research in future years.

Backlog

Our contract backlog consists of the aggregate anticipated revenue remaining to be earned at a given time from the uncompleted portions of our existing customer contracts. As of January 31, 2007, our contract backlog was $4.8 million as compared to $2.6 million as of January 31, 2006. We anticipate that a majority of our backlog will be recognized as revenue over the next 12 months.

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 majority of our revenue is recognized using the percentage-of-completion method, and changes from time to time in estimates 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. Consequently, it is difficult to make meaningful comparisons of backlog.

Manufacturing and Deployment

Manufacturing and Raw Materials

We engage in two types of manufacturing activities: the manufacturing of the high value-added components, or modules, for systems control, power generation and power conversion for each PowerBuoy system, and the contracting and fabrication of the buoy-like structure, anchoring and mooring, and cabling.

Our core in-house manufacturing activity is the assembly and testing of the power generation and control modules at our Pennington, New Jersey facility. The power generation and control modules include the critical electrical and electronic systems that convert the mechanical energy into usable electrical energy. The sensors and control systems use sophisticated technology to monitor ocean conditions and automatically optimize the performance of the PowerBuoy system in response to those changing conditions. We have several patents, including those that cover our power generation, power conversion and control technologies. Due to the critical and proprietary nature of these systems, we do not outsource their assembly and testing. After a generator and control module passes our rigorous quality control procedures, it is transported as a ready-to-install component to the project site. We currently employ nine engineers who are responsible for manufacturing and testing our generators and control systems. In order to meet our growth objectives, by the end of fiscal 2010 we will need to increase our engineering and manufacturing staff by over 120 people. In addition to adding engineers with various specialties, by the end of fiscal 2008 we plan to hire a manager of our production manufacturing and a manager of our supply chain.

We purchase the remaining components of and raw materials for each PowerBuoy system from various vendors. Currently, we contract for these components on a project-by-project basis. We conduct a bidding process to select a supplier with the optimal combination of price, delivery terms and quality. Our goal is to develop ongoing relationships with select vendors centrally located in different regions, which will allow us to reduce unit costs as our volume increases. We provide specifications to each vendor who is responsible for performing quality analysis and quality control over the course of construction, subject to our review of the quality test procedures and results. After each vendor completes testing of the component, it is transported ready-to-install to the project site.

Upon arrival at the project site, the generator and control modules are integrated with the balance of the components of the PowerBuoy system. We are highly dependent on our third-party suppliers; however, we actively manage key steps in the supply chain. We act as the general contractor, and retain the ultimate responsibility for building the PowerBuoy wave power station, and installing, testing and deploying the complete wave power station at the project site. This process requires significant project and contract management by us. We currently employ individuals who have experience with all aspects of both the manufacturing and engineering contracting processes, and demonstrated organizational capabilities in these critical areas.

We do not have long-term contracts with our third-party manufacturers or vendors. If, for any reason, our third-party manufacturers or vendors are not willing or able to provide us with components or supplies in a timely fashion, or at all, our ability to manufacture and sell many of our products could be impaired. To date, we have been able to obtain adequate outsourced manufacturing services and supplies from our third-party manufacturers and vendors in a timely manner. We believe that over time alternative component manufacturers and vendors can be identified if our current third-party manufacturers and vendors fail to fulfill our requirements.

Deployment

For our existing and currently planned deployments, we purchase from subcontractors the mooring system and cables needed to install the PowerBuoy system and connect it to either the power grid or a remote power site. The vendor transports these components to the project site.

Each step in the deployment process for our existing and currently planned deployments is outsourced to subcontractors located near the project site. First the mooring system, consisting of floats, anchors and chains, are brought to the wave power station’s ultimate ocean location by workboats. At the same time, the cable to transmit the generated electricity is laid by a subcontractor. Next the PowerBuoy system is towed to the ocean location and fixed to the mooring system. The PowerBuoy system would then be connected to the transmission cable, which would then be connected to the grid or the distributed power site. At this point, we would have a fully assembled PowerBuoy wave power station, which, subject to final testing, would be ready for operation. We expect to be able to install an array of PowerBuoy systems using a similar approach.

Although we expect that the subcontractor services required for deployment of a wave power station will be readily available in the locations where we currently plan to deploy our systems, we are dependent on third parties for the entire process. We actively manage each step with personnel who have significant project management and deployment experience.

Research and Development

Our research and development team consists of employees with a broad range of experience in mechanical engineering, electrical engineering, hydrodynamics and systems engineering. We engage in extensive research and development efforts to improve PowerBuoy efficiency and power output and to reduce manufacturing cost and complexity. Our research and development efforts are currently focused on product development, in particular increasing the output of our utility PowerBuoy system. We are also conducting research on improvements to our current technology, including alternative power generation and power take off systems.

Research and development expenses are reflected on our consolidated statements of operations as product development costs. Our company-sponsored research and development expenses were approximately $0.3 million for fiscal 2004, $0.9 million for fiscal 2005, $4.2 million for fiscal 2006 and $4.1 million in the nine months ended January 31, 2007. In addition, while we have in the past self-funded the majority of our research and development expenditures, we also have customer-sponsored research and development expenses of approximately $0.4 million for fiscal 2004, $0.2 million for fiscal 2005, $0.1 million for fiscal 2006 and $0.1 million in the nine months ended January 31, 2007.

We currently plan to increase the maximum rated output of our utility PowerBuoy system to 150kW in 2007, to 250kW in 2008 and ultimately to 500kW in 2010. The key to increasing the rated output of the PowerBuoy system is to increase the system's efficiency as well as its diameter. If we increase the size of a PowerBuoy system, we will be able to increase the amount of wave energy the system can capture and, in turn, increase the output of the system. For example, if we double the size of the unit's diameter, we will approximately quadruple its power capacity. We believe that we will be able to increase the output capacity of the PowerBuoy system using technology that we have already developed, so our focus is on the design, manufacture, testing and deployment of the higher capacity systems. We are exploring design and construction techniques that will enable the larger PowerBuoy systems to be deployed cost effectively and without damage. For example, our 40kW PowerBuoy systems are transported to the onshore deployment sites using standard flatbed trucks. However, the assembled 150kW PowerBuoy systems will be too large for these trucks and will need to be transported in modules and assembled on-site. In addition, we may need to adjust the mooring system to account for the larger-sized PowerBuoy systems.

We also plan to continue our technology development of specific applications for our PowerBuoy systems to expand our growth opportunities. For example, we are exploring applications that include desalination of water, hydrogen production, water treatment and natural resource processing.

We expect our research and development expenses to continue to rise in the next several years, with our product development expenses increasing more rapidly than our research expenses.

Intellectual Property

We believe that our technology differentiates us from other providers of wave and other renewable energy technologies. As a result, our success depends in part on our ability to obtain and maintain proprietary protection for our products, technology and know-how, to operate without infringing the proprietary rights of others and to prevent others from infringing our proprietary rights. Our policy is to seek to protect our proprietary position by, among other methods, filing United States and foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development of our business. We also rely on trade secrets, know-how, and continuing technological innovation and may rely on in-licensing opportunities to develop and maintain our proprietary position.

As of March 1, 2007, we owned a total of 31 United States patents and 15 United States patent applications, three of which are provisional patent applications. We have pending foreign counterparts to nine of our issued patents and six of our pending non-provisional patent applications.

Our patent portfolio includes patents and patent applications with claims directed to:

- system design;
- control systems;
- power conversion;
- anchoring and mooring; and
- wave farm architecture.

The expiration dates for our issued United States patents range from 2015 to 2023. We do not consider any single patent or patent application that we hold to be material to our business. The patent positions of companies like ours are generally uncertain and involve complex legal and factual questions. Our ability to maintain and solidify our proprietary position for our technology will depend on our success in obtaining effective patent claims and enforcing those claims once granted. In addition, certain technologies that we developed with US federal government funding are subject to certain government rights as described in "Risk Factors — Risks Relating to Our Business."

We rely, in some circumstances, on trade secrets to protect our technology. Trade secrets, however, are difficult to protect. We seek to protect our proprietary technology and processes, in part, by confidentiality agreements with our employees, consultants and other contractors; however, these agreements may be breached. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our employees, consultants or contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

We use trademarks on nearly all of our products and believe that having distinctive marks is an important factor in marketing our products. We have registered our PowerBuoy® mark and filed applications to register our CellBuoy™ and Talk on Water™ marks for a cellular telephone service application of our autonomous PowerBuoy system and our Making Waves in Power℠ service mark in the United States.

Competition

We compete and will compete with power generation equipment suppliers in all segments of the electric power industry, including wave energy, other forms of renewable energy and traditional fossil fuel. The renewable energy industry is both highly competitive and continually evolving as participants strive to distinguish themselves within their markets and compete within the larger electric power industry. Many of our competitors in certain of these segments have established a stronger market position than ours and have greater resources and name recognition than we have. In addition, there are many companies, including some of the largest multinational energy companies, that are developing or sponsoring innovative technologies for renewable energy production. Accordingly, our success depends in part on developing and demonstrating the commercial viability of wave energy solutions and identifying markets for and applications of our PowerBuoy systems and technology.

Although the market for equipment that generates electricity from wave energy is in its early stage of commercial development, there are a number of private companies, some with institutional funding, developing technologies to generate electricity from wave energy, and we compete or will compete with them. We believe there are 20 to 30 companies worldwide developing wave energy technologies. Most of these companies are located in the United Kingdom, continental Europe, the United States and Australia, and almost all are focused on offshore systems. A few of these companies have conducted ocean testing of their systems, which is the critical factor in proving the survivability and performance of any wave energy system.

Sixteen companies expressed an interest to the South West of England Regional Development Agency in participating in the development of a new Wave Hub power station project off the coast of Cornwall, England. Three companies were ultimately selected: Ocean Prospect Ltd., a subsidiary of the Wind Prospect group, Fred.Olsen Ltd. and us.

Ocean Prospect Ltd. has stated that it will deploy the Pelamis device developed by Ocean Power Delivery at the Cornwall site. The Pelamis system is a semi-submerged, articulated structure composed of cylindrical sections linked by hinged joints. The wave-induced motion of these cylinders relative to each other is used to pump hydraulic power take off systems, providing the mechanical power to turn the generators to produce electricity. Fred.Olsen, a ship and offshore platform builder, intends to deploy a multiple point-absorber system comprised of a number of floating buoys attached to a stable floating platform. Additional competitors may enter the market, and we are likely to compete with new companies in the future.

To compete effectively, we have to demonstrate that our PowerBuoy systems are attractive, compared to other wave energy systems and other renewable energy systems, by differentiating our systems on the basis of performance, survivability in operation and storm wave conditions, cost effectiveness and the operations and maintenance services that we provide. We believe that we perform favorably to our competition with respect to each of these factors.

Government Regulation

The electric power industry is subject to extensive regulation, which varies by jurisdiction. For example, the electricity industry in the United States is governed by both federal and state laws and regulations, with the federal government having jurisdiction over the sale and transmission of electricity at the wholesale level in interstate commerce, and the states having jurisdiction over the sale and distribution of electricity at the retail level. The electricity industry in the European Union, or the EU, is primarily governed by national law, but a number of EU-level regulations impose obligations on member states, notably with respect to the liberalization of the electricity markets.

The renewable energy industry has also been subject to increasing regulation, however none of the countries in which we are currently marketing our PowerBuoy systems have comprehensive regulatory schemes tailored to wave energy. As the renewable energy industry continues to evolve and as the wave energy industry in particular develops, we anticipate that wave energy technology and our PowerBuoy systems and their deployment will be subject to increased oversight and regulation in accordance with international, national and local regulations relating to safety, sites, environmental protection, utility interconnection and metering and related matters.

Our PowerBuoy wave power stations currently face regulation in the US and in foreign jurisdictions concerning, among other areas, the sale and transmission of electricity, site approval and environmental approval and compliance. In addition, in order to encourage the adoption of renewable energy systems, many governments offer subsidies and other financial incentives and have mandated renewable energy targets. These subsidies, incentives and targets may not be applicable to our wave energy technology and therefore may not be available for us or our customers.

Sale and Transmission of Electricity

The US government regulates the electricity wholesale and transmission business through the Federal Energy Regulatory Commission, or FERC. FERC regulates the rates and terms for sales of electricity at the wholesale level, and the organization, governance and financing of the companies engaged in electricity sales. As a result, FERC regulates the rates charged for sales of electric power from a wave power station into the wholesale market, although it is possible to obtain an exemption from FERC that would allow those sales to occur at market-based rates. FERC also regulates the construction, operation, and maintenance of any dam, water conduit, reservoir or powerhouse along or in any of the navigable waters of the United States for the purpose of generating electric power. As a result, the construction and operation of a wave power station in the United States requires the issuance of a license by FERC. We have been granted a preliminary permit by FERC to evaluate the feasibility of a 50MW wave power station off the coast of Oregon. An application to FERC was not required for the current project in New Jersey because the system is not grid-connected and is for demonstration purposes.

Under Spanish law, each of the Spanish Autonomous Regions, including the Cantabria region, has the power to issue administrative authorizations for the construction and exploitation of installations for the production of renewable energy, including installations that use the energy of waves.

Site Approval

Generally, we expect that we will deploy our PowerBuoy systems in the range of one to five miles from the shore, subject to water depth and overall wave heights. Although regulations regarding the use of ocean space vary around the world, we do not expect significant delay in obtaining site approvals, as governments have to date encouraged the use of renewable energy sources. Our customers for the Spain and France projects and the South West of England Regional Development Agency for the Cornwall, England project are responsible for obtaining the necessary siting permits for their projects.

In the United States, federal agencies regulate the siting of renewable energy and related-uses located on the outer continental shelf, which is generally more than three miles offshore. For projects located within three miles of the US shore, the adjacent state would be responsible for issuing a lease and other required authorizations for the location of the project. In either case an assessment of the potential environmental impact of the project would be conducted in addition to other requirements. In Spain, the owner of the wave power station will be required to pay rent to the Spanish government, which will be negotiated prior to installation.

Environmental Approval and Compliance

We are subject to various foreign, federal, state and local environmental protection and health and safety laws and regulations governing, among other things: the generation, storage, handling, use and transportation of hazardous materials; the emission and discharge of hazardous materials into the ground, air or water; and the health and safety of our employees. In addition, in the United States, the construction and operation of a power system offshore would require permits and approvals from FERC, Coast Guard, Army Corps of Engineers and other governmental authorities. These required permits and approvals evaluate, among other things, whether the proposed project is in the public interest and ensure that the project would not create a hazard to navigation. Other foreign and international laws may require similar approvals. Each PowerBuoy system installed within Spanish territorial waters must be approved and authorized by the Spanish Ministry of Environment. In addition, we anticipate that our PowerBuoy systems will be subject to EU law on the protection of the environment and environmental assessments of development projects including the Environmental Impact Assessment and Strategic Environmental Assessment Directives.

We believe that a significant advantage or our PowerBuoy systems is that they do not present significant environmental risks when compared to traditional power generation technologies, as there is no significant visual or audible impact and such systems have not been shown to have a significant negative effect on fish or sea mammals. We are not aware of any liabilities in connection with compliance with such laws, regulations, permits and approvals that would have a material adverse effect on our financial position, results of operations or cash flows.

Subsidies and Incentives

Several governments have enacted subsidies and incentives designed to encourage the development of renewable energy resources. Because of the relative novelty of wave energy generation, these government programs generally do not apply specifically to wave energy generation, and so these programs may not be available to our customers or us in all cases.

Under a tariff subsidy, the government sets price subsidies to be paid to electricity producers for renewable electricity generated by them. The prices are set above market rates and may be differentiated based on system size or application. Under a renewable portfolio standard, the government requires regulated utilities to supply a portion of their total electricity in the form of renewable electricity. Some programs further specify that a portion of the renewable energy quota must be from a particular renewable energy source, although none have specific quotas for wave energy.

Tax incentive programs for renewable energy exist in the United States at both the federal and state level and can take the form of investment tax credits, accelerated depreciation and property tax exemptions. Several governments also facilitate low interest loans for renewable energy systems, either through direct lending, credit enhancement or other programs.

Each of the member states of the EU has a country-specific target for the level of consumption of electricity from renewable sources that it should attain by 2010. The United Kingdom Renewables Obligation of April 2002 included a target of 10% of electricity generation to come from renewable sources by 2010 and 15% by 2016, which will continue until 2027. Electricity suppliers that are unable to otherwise meet their renewables obligation have to pay a buy-out price (currently £0.033 per kWh) or purchase Renewables Obligation Certificates from companies that generate electricity from renewable resources. The United Kingdom Department of Trade and Industry has established a £50 million Marine Renewables Deployment Fund of which £42 million is allocated to provide a maximum seven-year benefit to any one marine power technology of £9 million, in the form of a 25% capital grant and a tariff supplement of £0.10 per kilowatt-hour generated.

Many countries and other local jurisdictions have established limits on carbon dioxide emissions. In particular, a key component of the Kyoto Protocol is the commitments made by certain countries to reduce carbon dioxide emissions. The country, locality or companies within the jurisdiction are given carbon emission allowances, or carbon credits, which represent the right to emit a specific amount of carbon dioxide. A country, locality or company having emissions that exceed its allocated carbon credits may purchase unused carbon credits from a country, locality or company that has reduced its emissions beyond its requirements to do so. The carbon dioxide emissions from a PowerBuoy wave power station are far lower than the emissions from a fossil fuel power station of the same capacity. Therefore, a PowerBuoy wave power station may generate carbon credits that could be used and sold.

In 2000, we entered into an agreement with Woodside Sustainable Energy Solutions Pty. Ltd., or Woodside, under which we received $0.6 million in exchange for granting Woodside an option to purchase, at a 30% discount from the then-prevailing market rate, up to 500,000 metric tons of carbon emission credits we generate during the years 2008 through 2012. However, if by December 31, 2012 we do not become entitled under applicable laws to the full amount of emission credits covered by the option, we are obligated to return the option fee of $0.6 million, less the aggregate discount on any emission credits sold to Woodside prior to such date. If we receive emission credits under applicable laws and fail to sell to Woodside the credits up to the full amount of emission credits covered by the option, Woodside is 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).

Employees

As of January 31, 2007, we had 37 employees, including 11 employees in manufacturing, 16 in research, development and engineering functions and ten employees in selling, general and administrative functions. Of these employees, 30 are located in Pennington, New Jersey and seven are located in Warwick, UK. We believe that our future success will depend in part on our continued ability to attract, hire and retain qualified personnel. None of our employees is represented by a labor union, and we believe our employee relations are good.

In order to meet our short-term goals, by the end of 2007, we plan to add approximately 15 to 20 employees, including a vice president of business development and engineers with varying levels and areas of expertise. By the end of fiscal 2010, we will need to increase our staff by nearly six times in order to meet our current manufacturing targets. The majority of our new hires will be engineers with varying levels and areas of expertise, project managers and manufacturing personnel.

Facilities

Our corporate headquarters are located in Pennington, New Jersey, where we occupy approximately 22,000 square feet under a lease expiring on April 30, 2013. We use these facilities for administration, research and development, as well as assembly and testing of the generators and control models.

We also have an office in Warwick, United Kingdom, where we occupy 1,390 square feet under a lease expiring on January 1, 2009. Seven employees, all members of the executive, engineering, administration and business development teams, operate out of this office, which serves as a hub for our European presence.

We plan to add sales, marketing and engineering offices in additional locations, including Australia, Japan, continental Europe and the west coast of the United States. We currently estimate that by the end of fiscal 2010 we will need to add approximately 90,000 square feet of leased space for sales, marketing, engineering, assembly and testing in order to meet our current manufacturing targets.

Product Insurance

We currently have a property and liability insurance policy underwritten by Lloyd’s Underwriters that covers our PowerBuoy systems in Hawaii and New Jersey, and that can be expanded to cover our PowerBuoy systems to be deployed off the coasts of Santoña, Spain and Cornwall, England. We have not claimed any losses under this policy.

Legal Proceedings

We are subject to legal proceedings, claims and litigation arising in the ordinary course of business. While the outcome of these matters is currently not determinable, we do not expect that the ultimate costs to resolve these matters will have a material adverse effect on our financial position, results of operations or cash flows.

MANAGEMENT

Executive Officers and Directors

Our executive officers and directors and their respective ages and positions as of March 1, 2007 are as follows:

Name	Age	Position
Executive Officers		
Dr. George W. Taylor	72	Chief Executive Officer
Charles F. Dunleavy	57	Chief Financial Officer, Senior Vice President, Treasurer and Secretary
Mark R. Draper	43	Chief Executive and Director of Ocean Power Technologies Ltd.
John A. Baylouny	45	Senior Vice President, Engineering
Directors		
Sir Eric A. Ash	79	Director
Thomas J. Meaney	72	Director
Seymour S. Preston III	73	Chairman of the Board of Directors
Dr. George W. Taylor	72	Director
Charles F. Dunleavy	57	Director

Dr. George W. Taylor has served as our chief executive officer since 1993 and as a director since 1984, when he co-founded our company. From 1990 to 2004, Dr. Taylor was our president and from 1984 to 1990, he was our vice president. In 1979, he co-founded and served as president of Princeton Research Associates, Inc., a consulting engineering, technical marketing and product development company. In 1971, Dr. Taylor co-founded Princeton Materials Science, Inc., a manufacturer of liquid crystal displays and digital watches. Dr. Taylor received a Bachelor of Engineering degree with First Class Honours in Electrical Engineering and a Doctor of Engineering degree from the University of Western Australia and a Ph.D. in Electrical Engineering degree from the University of London. He is a Fellow of the Institute of Engineers, Australia and the Institute of Electrical Engineers, London.

Charles F. Dunleavy has served as our chief financial officer and our senior vice president since 2000 and as our treasurer, secretary and director since 1990. From 1993 to 2001, Mr. Dunleavy served as our vice president, finance. From 1990 to 1993, Mr. Dunleavy served as vice president and chief financial officer of Whole Systems International Corp., a privately held company specializing in multimedia instructional systems and information technology. From 1983 to 1990, Mr. Dunleavy was the corporate controller for Intermetrics, Inc., a publicly held software engineering company that is now a part of Titan Corporation. Mr. Dunleavy is a Certified Public Accountant and holds a Masters of Business Administration with honors from Rutgers Graduate School of Business Administration. He received his A.B. degree from Colgate University with honors.

Mark R. Draper has served as the chief executive and director of our wholly-owned European subsidiary based in the UK, Ocean Power Technologies Ltd., since September 2004. From 2001 to May 2004, Mr. Draper served as managing director, generation business of PowerGen plc, a UK power utility. In this capacity, he was responsible for over 9,000MW of power generating assets, including a 60MW offshore wind power station. He is a fellow of both the Institutes of Mechanical and Electrical Engineers and serves as a non-executive Director on the Board of Slough Heat & Power, a utility company. He also serves as a director of Iberdrola Energias Marinas de Cantabria, S.A., the joint venture in which we participate with affiliates of Iberdrola and Total. Mr. Draper holds a Master’s degree in Mechanical and Electrical Engineering from Cambridge University.

John A. Baylouny has served as our senior vice president, engineering since November 2005. From January 2000 to November 2005, Mr. Baylouny served as vice president and general manager of DRS Data & Imaging Systems, Inc., a subsidiary of DRS Technologies, Inc., a defense technology company, and from 1996 to 1999, Mr. Baylouny served as head of engineering and led the technical strategic planning at DRS. Mr. Baylouny held engineering positions at ITT Avionics, a defense technology company, from 1983 to 1986. He holds a Masters degree in Electrical Engineering from Stevens Institute of Technology and a Bachelors degree in Electrical Engineering from Fairleigh Dickenson University.

Sir Eric A. Ash has been a director since 2001. Since December 2005, he has served as a member of the international advisory group of Keppel Corporation Limited, a marine engineering company based in Singapore. He is a member of the board of NeST (Europe) Ltd., an electronics company. Eric Ash is a Fellow of the Royal Society of London, where he served as treasurer and vice president from 1997 to 2002. He is a Fellow of the Royal Academy of Engineering, a foreign member of the US National Academy of Engineering, and a foreign member of the Russian Academy of Science. Eric Ash's academic appointments include the headship of the Department of Electronic Engineering at University College London, and a period of eight years as the Rector of Imperial College London. He was appointed a Knight Bachelor in 1990.

Thomas J. Meaney has been a director since June 2006. He is the president, chief executive officer and a director of Mikros Systems Corp., an electronics equipment company. From 1983 to 1986, Mr. Meaney served as a senior vice president and director at Robotic Vision Systems, Inc., an electronics company, and from 1977 to 1983 he served as the vice president of business development of the Norden Systems Division of United Technologies Corp., an electronics company. Mr. Meaney holds a Master of Science degree in Mechanical Engineering from Drexel University and a Bachelors degree in Mechanical Engineering from Villanova University.

Seymour S. Preston III has been a director since September 2003. Mr. Preston is also a director of Albemarle Corporation, a specialty chemicals company, Scott Specialty Gas Corporation, a provider of gases for calibration, testing and emission standards, Tufco Technologies, Inc., a consumer products contract manufacturing company, and Independent Publications, Inc., a newspaper publisher. From 1994 to 2003, he was the chairman and chief executive officer of AAC Engineered Systems, Inc., a privately-held manufacturing company. Over the period from 1961 to 1989, Mr. Preston held various positions at Pennwalt Corporation, including serving as president, chief operating officer and director from 1978 to 1989. Mr. Preston served as president and chief executive officer of Elf Atochem North America, Inc., a chemical and plastics company from 1990 to 1993. Mr. Preston received his Masters of Business Administration from Harvard Business School and his B.A. degree from Williams College.

There are no family relationships among any of our directors or executive officers.

Board Composition and Election of Directors

Our board of directors consists of five members. All directors serve for one-year terms and are elected for a new one-year term at our annual meeting of stockholders.

Three of our current directors, Eric Ash, Thomas Meaney and Seymour Preston, are independent directors, as defined by the applicable rules of The Nasdaq Stock Market.

Board Committees

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. The composition of each committee will be effective upon the closing of this offering.

Audit Committee

The members of our audit committee are Eric Ash, Thomas Meaney and Seymour Preston. Seymour Preston is the chair of the committee. Our audit committee assists our board of directors in its oversight of the integrity of our consolidated financial statements, our independent registered public accounting firm's qualifications and independence and the performance of our independent registered public accounting firm.

Upon the completion of this offering, our audit committee's responsibilities will include:

- appointing, approving the compensation of, and assessing the independence of, our independent registered public accounting firm;
- overseeing the work of our independent registered public accounting firm, including through the receipt and consideration of reports from our independent registered public accounting firm;
- reviewing and discussing with management and our independent registered public accounting firm our annual and quarterly consolidated financial statements and related disclosures;
- monitoring our internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;
- establishing procedures for the receipt and retention of accounting related complaints and concerns;
- meeting independently with our internal auditing staff, our independent registered public accounting firm and management; and
- preparing the audit committee report required by SEC rules.

All audit services to be provided to us and all non-audit services, other than de minimus non-audit services, to be provided to us by our independent registered public accounting firm must be approved in advance by our audit committee. Eric Ash and Seymour Preston are our audit committee financial experts. We believe that the composition of our audit committee meets the requirements for independence under the current Nasdaq Global Market and SEC rules and regulations.

Compensation Committee

The members of our compensation committee are Eric Ash and Seymour Preston. Eric Ash is the chair of the committee. Our compensation committee assists our board of directors in the discharge of its responsibilities relating to the compensation of our executive officers.

Upon the completion of this offering, our compensation committee's responsibilities will include:

- reviewing and approving, or making recommendation to the board of directors with respect to, our chief executive officer's compensation;
- evaluating the performance of our executive officers and reviewing and approving, or making recommendations to the board of directors with respect to, the compensation of our executive officers;
- overseeing and administering, and making recommendations to the board of directors with respect to, our cash and equity incentive plans;
- reviewing and making recommendations to the board of directors with respect to director compensation; and
- preparing the compensation committee report required by SEC rules.

Nominating and Corporate Governance Committee

The members of our nominating and corporate governance committee are Eric Ash and Thomas Meaney. Thomas Meaney is the chair of the committee.

Upon completion of this offering, our nominating and corporate governance committee's responsibilities will include:

- recommending to the board of directors the persons to be nominated for election as directors or to fill vacancies on the board of directors, and to be appointed to each of the board's committees;
- overseeing an annual review by the board of directors with respect to management succession planning;

- developing and recommending to the board of directors corporate governance principles and guidelines; and
- overseeing periodic evaluations of the board of directors.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serves as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any entity that has one or more executive officers who serve as members of our board of directors or our compensation committee. None of the members of our compensation committee has ever been our employee.

Director Compensation

In September 2003, our board of directors approved a compensation program pursuant to which we pay each of our directors who is not our employee, whom we refer to as a non-employee directors, fees for service on our board of directors and for attendance at board and board committee meetings. After our annual general meeting, each non-employee director currently receives $15,000 and an option to purchase 2,500 shares of our stock that is fully vested at the time of grant. Each non-employee director also receives $2,000 for each board meeting he attends in person or by video or teleconference, $2,000 for each audit committee meeting he attends in person or by video or teleconference and $1,000 for each compensation committee and nominating and corporate governance committee meeting that he attends in person or by video or teleconference.

We reimburse each non-employee member of our board of directors for out-of-pocket expenses incurred in connection with attending our board and board committee meetings. Compensation for our directors, including cash and equity compensation, is determined, and remains subject to adjustment, by our board of directors.

Executive Compensation

The following table sets forth the compensation paid or accrued during the fiscal year ended April 30, 2006 to our chief executive officer and to our three other most highly compensated executive officers whose salary and bonus exceeded $100,000 for the year ended April 30, 2006. We refer to these officers collectively as our named executive officers.

Summary Compensation Table

	Annual compensation			Long-Term Compensation
Name and Principal Position	Salary	Bonus	Other Annual Compensation	Securities Underlying Options (#)
Dr. George W. Taylor Chief Executive Officer	$ 289,554	$ 85,000	$ —	13,500
Charles F. Dunleavy Chief Financial Officer, Senior Vice President, Treasurer and Secretary	212,673	70,000	—	13,500
Mark R. Draper Chief Executive and Director of Ocean Power Technologies Ltd.	270,630(1)	79,897(1)	52,696(1)(2)	33,499
John A. Baylouny Senior Vice President, Engineering	88,520(3)	35,000	—	30,000

(1) Based on the average buying rate of $1.77548 for £1 over the period from May 1, 2005 through April 30, 2006.

(2) Represents amounts paid for health insurance and pension benefits.

(3) Mr. Baylouny joined our company in November 2005. His annual base salary is currently $213,750.

Stock Options

The following table contains information regarding options to purchase shares of our common stock granted to our named executive officers during the year ended April 30, 2006. Amounts in the following table represent potential realizable gains that could be achieved for the options if exercised at the end of the option term. The 5% and 10% assumed annual rates of compounded stock price appreciation are calculated based on the requirements of the SEC and do not represent an estimate or projection of our future stock prices. These amounts represent certain assumed rates of appreciation in the value of our common stock from the fair market value on the date of grant. Actual gains, if any, on stock option exercises depend on the future performance of the common stock and overall stock market conditions. The amounts reflected in the following table may not necessarily be achieved.

Option Grants in Last Fiscal Year

Name	Number of Securities Underlying Options Granted(1)	Percentage of Total Options Granted to Employees in Fiscal Year	Exercise Price per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (2)	
					5%($)	10%($)
Dr. George W. Taylor	13,500	7.5	$ 11.90	6/17/2010	28,350	82,350
Charles F. Dunleavy	13,500	7.5	11.90	6/17/2015	101,250	256,500
Mark R. Draper	19,999	11.1	12.60	11/10/2015	230,000	516,000
	13,500	7.5	11.90	6/17/2015	101,250	256,500
John A. Baylouny	30,000	16.7	13.30	11/21/2015	252,000	636,000

(1) To date, the options that we have granted to our executive officers and other employees typically vest monthly over a period of five years from the date of grant. See "— Stock Option and Other Compensation Plans — 1994 Stock Option Plan," "— Stock Option and Other Compensation Plans — Incentive Stock Option Plan" and "— Stock Option and Other Compensation Plans — 2001 Stock Plan" below for information regarding the vesting of options under the 1994 stock option plan, the incentive stock option plan and the 2001 stock plan.

(2) The dollar amounts under these columns are the result of calculations at rates set by the SEC and, therefore, are not intended to forecast possible future appreciation, if any, in the price of the underlying common stock. These amounts represent total hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. These amounts assume that our stock price will appreciate from the fair market value on the date of grant at a rate of 5% and 10% compounded annually from the date on which the options were granted until their expiration. We calculated these values assuming that the fair market value of our common stock on the date of grant was equal to the closing price of our common stock on the AIM market on that date.

In June 2006, we granted additional options to purchase shares of common stock to most of our employees, including each of our executive officers. Dr. Taylor was granted an option to purchase 45,000 shares. Mr. Dunleavy was granted an option to purchase 40,000 shares. Mr. Draper was granted an option to purchase 30,000 shares. Mr. Baylouny was granted an option to purchase 17,500 shares. Each of the options has an exercise price per share of $13.80, the closing price of our common stock on the AIM market on the date of grant, and expires on June 16, 2016, with the exception of the option granted to Dr. Taylor, which expires on June 16, 2011.

Option Exercises and Year-End Option Values

The following table provides information about the exercise of stock options during fiscal 2006 and the number and value of options held by our named executive officers at April 30, 2006. There was no public trading market in the United States for our common stock as of April 30, 2006. Accordingly, as permitted by the rules of the SEC, we have calculated the value of unexercised in-the-money options at fiscal year end assuming that the fair market value of our common stock as of April 30, 2006 was equal to $17.80, the closing price of our common stock on the AIM market on April 27, 2006, based on the noon buying rate for pound sterling on that date.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

Name	Shares Acquired on Exercise (#)	Value Realized(1) ($)	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#)		Value of Unexercised In-the-Money Options at Fiscal Year-End ($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Dr. George W. Taylor	—	$ —	378,000	25,500	$ 2,251,100	$ 119,450
Charles F. Dunleavy	11,250	123,000	168,050	27,450	706,275	79,650
Mark R. Draper	—	—	14,000	49,499	61,200	228,450
John A. Baylouny	—	—	10,000	20,000	45,000	90,000

(1) Value represents the difference between the exercise price per share of common stock and the fair market value per share of our common stock on the date of exercise, determined by the closing price of our common stock on the AIM market on the date of exercise, multiplied by the number of shares acquired on exercise.

Employment Agreements

Dr. George W. Taylor. We employ Dr. Taylor as our chief executive officer. Under an employment agreement entered into in October 2003, Dr. Taylor was entitled to an annual base salary of $250,000 for the first year of his employment with us, subject to adjustment upon annual review by our board of directors. Dr. Taylor’s annual base salary has been adjusted by our board of directors and is currently $303,000. Dr. Taylor is also eligible to earn discretionary incentive bonuses and incentive compensation.

Upon the termination of his employment other than for cause, or if he terminates his employment for good reason, Dr. Taylor has the right to receive severance payments equal to one year of his base salary then in effect. Dr. Taylor is not entitled to severance if we terminate his employment for cause or if he resigns without good reason. Pursuant to this agreement, Dr. Taylor is prohibited from competing with us and soliciting our customers, prospective customers or employees during the term of his employment and for a period of one year after the termination or expiration of his employment.

Charles F. Dunleavy. We employ Mr. Dunleavy as our chief financial officer and senior vice president. Under an employment agreement entered into in October 2003, Mr. Dunleavy was entitled to an annual base salary of $170,000 for the first year of his employment with us, subject to adjustment upon annual review by our board of directors. Mr. Dunleavy’s annual base salary has been adjusted by our board of directors and is currently $214,000. Mr. Dunleavy is also eligible to earn discretionary incentive bonuses and incentive compensation.

Upon the termination of his employment other than for cause, or if he terminates his employment for good reason, Mr. Dunleavy has the right to receive severance payments equal to one year of his base salary then in effect. Mr. Dunleavy is not entitled to severance if we terminate his employment for cause or if he resigns without good reason. Pursuant to this agreement, Mr. Dunleavy is prohibited from competing with us and soliciting our customers, prospective customers or employees during the term of his employment and for a period of one year after the termination or expiration of his employment.

Mark R. Draper. We employ Mr. Draper as the chief executive and director of our wholly-owned UK subsidiary, Ocean Power Technologies, Ltd. Under a service agreement entered into in September 2004, Mr. Draper was entitled to an annual base salary of £136,000 for the first year of his employment with our subsidiary, subject to adjustment upon annual review. Mr. Draper's annual base salary has been adjusted and is currently £156,000. Mr. Draper is also eligible to earn a discretionary annual incentive bonus in an amount up to 50% of his annual base salary.

Upon the termination of his employment or upon a termination or resignation that occurs within six months of a change in control, Mr. Draper has the right to receive a severance payment equal to 25% of his base salary that is then in effect. In addition, if we give Mr. Draper less than one year's written notice of termination, he is entitled to receive his base salary for any unexpired portion of that one year notice period. Pursuant to this agreement, Mr. Draper is prohibited from competing with us and soliciting our customers, prospective customers or employees during the term of his employment and for a period of one year after the termination or expiration of his employment.

John A. Baylouny. We employ Mr. Baylouny as our senior vice president, engineering. Under a letter agreement entered into in September 2005, Mr. Baylouny was entitled to an annual base salary of $205,000 for the first year of his employment with us, subject to adjustment. Mr. Baylouny's annual base salary has been adjusted by our board of directors and is currently $213,750. Mr. Baylouny is also eligible to earn discretionary incentive bonuses and incentive compensation.

Upon the termination of his employment other than for cause, Mr. Baylouny has the right to receive a severance payment equal to six months of his base salary then in effect. Mr. Baylouny is not entitled to severance if we terminate his employment for cause.

Stock Option and Other Compensation Plans

1994 Stock Option Plan

Our 1994 stock option plan was adopted by our board of directors on May 4, 1994, approved by our stockholders on August 22, 1994 and expired on August 24, 2001. The 1994 stock option plan provided for the grant of non-statutory options to our employees, officers, directors, consultants and advisors. A maximum of 187,500 shares of common stock were authorized for issuance under this plan.

The 1994 stock option plan provides that outstanding options shall become fully exercisable if we undergo a fundamental transaction, as defined in the 1994 stock option plan, and the successor entity does not assume the options under the 1994 stock option plan or substitute equivalent options.

As of January 31, 2007, options to purchase 15,794 shares of our common stock at a weighted average exercise price of $15.97 were outstanding under our 1994 stock option plan, options to purchase 12,682 shares of common stock had been exercised and options to purchase 104,342 shares of common stock had been forfeited. No awards have been granted under the 1994 stock option plan since its expiration in 2001.

Incentive Stock Option Plan

Our incentive stock option plan was adopted by our board of directors on May 4, 1994, approved by our stockholders on August 22, 1994 and expired on August 24, 2001. The incentive stock option plan provided for the grant of incentive stock options to our employees and officers. A maximum of 337,500 shares of common stock were authorized for issuance under this plan.

The incentive stock option plan provides that outstanding options shall become fully exercisable if we undergo a fundamental transaction, as defined in the incentive stock option plan, and the successor entity does not assume the options under the incentive stock option plan or substitute equivalent options.

As of January 31, 2007, options to purchase 140,550 shares of our common stock at a weighted average exercise price of $19.22 were outstanding under our incentive stock option plan, options to purchase 28,525 shares of common stock had been exercised and options to purchase 107,749 shares of common stock had been forfeited. No awards have been granted under the incentive stock option plan since its expiration in 2001.

2001 Stock Plan

Our 2001 stock plan was adopted by our board of directors and approved by our stockholders on August 24, 2001. The 2001 stock plan provides for the grant of incentive stock options, non-statutory options, restricted stock awards and stock awards. A maximum of 1,000,000 shares of common stock are authorized for issuance under our 2001 stock option plan. Our employees, officers, directors, consultants and advisors are eligible to receive awards under our 2001 stock plan; however, incentive stock options may only be granted to our employees.

Our board of directors administers our 2001 stock option plan. Pursuant to the terms of our 2001 stock option plan, and to the extent permitted by law, our board may delegate administrative authority to a committee composed of two or more of our non-executive directors. Our board of directors, or a committee to whom the board of directors delegates authority, selects the recipients of awards and determines:

- the number of shares of common stock covered by options and the dates upon which the options become exerciseable;
- the exercise price of options;
- the duration of the options; and
- the terms and conditions of awards, including transfer restrictions, conditions for repurchase and rights of first refusal.

The 2001 stock plan provides that outstanding options shall become fully exercisable if we undergo a fundamental transaction, as defined in the 2001 stock plan, and the successor entity does not assume the options under the 2001 stock plan or substitute equivalent options.

The 2001 stock plan provides that, prior to an initial public offering which is defined as an underwritten offering pursuant to an effective registration statement under the Securities Act, we have a right of first refusal on any shares held by optionees under the 2001 stock plan and we may repurchase any stock or stock awards upon the exercise of options at the fair market value on the date of purchase. The right of first refusal and the right to repurchase will terminate upon the completion of this offering. We do not intend to exercise these rights before they terminate.

No award may be granted under the 2001 stock plan after August 23, 2011. Our board of directors may amend or terminate this plan at any time.

As of January 31, 2007, options to purchase 871,980 shares of our common stock at a weighted average exercise price of $13.99 were outstanding under our 2001 stock plan, 3,250 options to purchase shares of common stock had been exercised and 60,067 options to purchase shares of common stock had been forfeited. After the effectiveness of the 2006 stock incentive plan described below, we will grant no further stock options or other awards under the 2001 stock plan.

2006 Stock Incentive Plan

Our 2006 stock incentive plan, which will become effective on the date that the registration statement for this offering is declared effective, was adopted by our board of directors on December 7, 2006 and approved by our stockholders on January 12, 2007. The 2006 stock incentive plan provides for the grant of incentive stock options, nonstatutory stock options, restricted stock awards and other stock-unit awards. Upon effectiveness of the plan, the number of shares of common stock that will be reserved for issuance under the 2006 stock incentive plan will be 680,000 shares plus the number of shares of common stock equal to the number of shares of common stock then available for issuance under the 2001 stock plan, up to a maximum of 123,215 shares.

Our employees, officers, directors, consultants and advisors are eligible to receive awards under our 2006 stock incentive plan; however, incentive stock options may only be granted to our employees. The maximum number of shares of common stock with respect to which awards may be granted to any participant under the 2006 stock incentive plan is 200,000 per calendar year.

Our 2006 stock incentive plan is administered by our board of directors. Pursuant to the terms of the 2006 stock incentive plan, and to the extent permitted by law, our board of directors may delegate authority to one or more committees or subcommittees of the board of directors or to our officers. Our board of directors or any committee to whom the board of directors delegates authority selects the recipients of awards and determines:

- the number of shares of common stock covered by options and the dates upon which the options become exercisable;
- the exercise price of options;
- the duration of the options; and
- the number of shares of common stock subject to any restricted stock or other stock-unit awards and the terms and conditions of such awards, including conditions for repurchase, issue price and repurchase price.

If our board of directors delegates authority to an officer, the officer has the power to make awards to all of our employees, except to executive officers. Our board of directors will fix the terms of the awards to be granted by such officer, including the exercise price of such awards, and the maximum number of shares subject to awards that such officer may make.

If a merger or other reorganization event occurs, our board of directors may provide that all of our outstanding options are to be assumed or substituted by the successor corporation. Our board of directors may also provide that, in the event the succeeding corporation does not agree to assume, or substitute for, outstanding options, then all unexercised options will become exercisable in full prior to the completion of the event and that these options will terminate immediately prior to the completion of the merger or other reorganization event if not previously exercised. Our board of directors may also provide for a cash out of the value of any outstanding options.

No award may be granted under the 2006 stock incentive plan after December 7, 2016, but the vesting and effectiveness of awards granted before that date may extend beyond that date. Our board of directors may amend, suspend or terminate the 2006 stock incentive plan at any time, except that stockholder approval will be required for any revision that would materially increase the number of shares reserved for issuance, expand the types of awards available under the plan, materially modify plan eligibility requirements, extend the term of the plan or materially modify the method of determining the exercise price of options granted under the plan, or otherwise as required to comply with applicable law or stock market requirements.

401(k) Retirement Plan

We maintain a 401(k) retirement plan that is intended to be a tax-qualified defined contribution plan under Section 401(k) of the Internal Revenue Code. In general, all of our employees are eligible to participate, subject to a 30-day waiting period. The 401(k) plan includes a salary deferral arrangement pursuant to which participants may elect to reduce their current compensation by up to the statutorily prescribed limit, equal to $15,000 in 2006 for certain age groups, and have the amount of the reduction contributed to the 401(k) plan. We are permitted to match employees’ 401(k) plan contributions; however, we have not done so to date.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Since May 1, 2003, we have engaged in the following transactions with our directors, executive officers and holders of more than 5% of our voting securities, and affiliates of our directors, executive officers and 5% stockholders:

Consulting Agreement

In August 1999, we entered into a consulting agreement with Thomas J. Meaney, who became a member of our board of directors in June 2006, for marketing services at a rate of $600 per day of services provided. We paid Mr. Meaney $42,000 in fiscal 2004, $51,000 in fiscal 2005 and $53,000 in fiscal 2006 under this consulting agreement for his services and related expenses. We believe the terms contained in this agreement are comparable to those we would receive from an unaffiliated third party for similar services.

Agreement Relating to Patent Royalties

In November 1993, we entered into an agreement providing for royalty payments to Dr. George W. Taylor, our chief executive officer, Michael Y. Epstein and Joseph R. Burns, whose estate transferred his interests under this agreement to our stockholder, JoAnne E. Burns. The royalty payments are based on revenues from specified piezoelectric technology covered by U.S. patent 4404490 entitled “Power Generation from Waves Near the Surface of Bodies of Water.” Under the agreement, we are obligated to pay to the other parties to this agreement royalties of six percent of license fees received and four percent of product sales and development contract revenues, up to an aggregate amount of $0.9 million. As of April 30, 2006, approximately $0.2 million of royalties had been earned. We made payments of $48,000 in fiscal 2004 under this agreement, and no payments in fiscal 2005 or fiscal 2006. As of January 31, 2007, we have accrued $26,100 in unpaid fees to Dr. Taylor under the terms of this agreement. We are not currently using the technology covered by this patent, and we do not anticipate that any further royalties will be earned under the agreement. We believe the terms contained in this agreement are comparable to those we would receive from an unaffiliated third party for similar technology.

Director Compensation

Please see “Management — Director Compensation” for a discussion of options granted to our non-employee directors.

Executive Compensation and Employment Agreements

Please see “Management — Executive Compensation” and “— Stock Options” for additional information on compensation of our executive officers. Information regarding employment agreements with several of our executive officers is set forth under “Management — Employment Agreements.”

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common stock, as of March 31, 2007, by:

- each of our directors;
- each of our named executive officers;
- each person, or group of affiliated persons, who is known by us to beneficially own more than 5% of our common stock; and
- all of our directors and executive officers as a group.

The percentage of shares beneficially owned prior to the offering is based on 5,186,263 shares of our common stock being outstanding as of March 31, 2007. The percentage of shares beneficially owned after the offering is based on 10,186,263 shares of our common stock to be outstanding after this offering, including the 5,000,000 shares of common stock that we are selling in this offering. The underwriters have an option to purchase up to 750,000 additional shares of our common stock to cover over-allotments, including 90,000 additional shares from the selling stockholders. For more information regarding the shares that may be sold by the selling stockholders, see "— Selling Stockholders" below. No other stockholder is participating in the offering. Our shares are traded on the AIM market of the London Stock Exchange, and brokers or other nominees may hold shares of our common stock in "street name" for customers who are the beneficial owners of the shares. As a result, we may not be aware of each person or group of affiliated persons who own more than 5% of our common stock.

For purposes of the table below, and in accordance with the rules of the SEC, we deem shares of common stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2007 to be outstanding and to be beneficially owned by the person holding the options for the purpose of computing the percentage ownership of that person, but we do not treat them as outstanding for the purpose of computing the percentage ownership of any other person. Except as otherwise noted, the persons or entities in this table have sole voting and investing power with respect to all of the shares of common stock beneficially owned by them, subject to community property laws, where applicable. Except as otherwise set forth below, the street address of the beneficial owner is c/o Ocean Power Technologies, Inc. 1590 Reed Road, Pennington, NJ 08534. The following table assumes that the underwriters' over-allotment option is not exercised.

	Shares Beneficially Owned Prior to Offering Common Stock		Shares Beneficially Owned After Offering Common Stock	
Name of Beneficial Owner	Shares	%	Shares	%
Officers and Directors				
Dr. George W. Taylor(1)	1,567,332	28.2	1,567,332	14.8
Charles F. Dunleavy(2)	288,486	5.4	288,486	2.8
John A. Baylouny(3)	14,000	*	14,000	*
Mark F. Draper(4)	24,700	*	24,700	*
Sir Eric A. Ash(5)	16,250	*	16,250	*
Thomas J. Meaney	5,448	*	5,448	*
Seymour S. Preston, III(6)	12,936	*	12,936	*
All Executive Officers and Directors as a group (7 individuals)	1,929,152	33.3	1,929,152	17.9
5% Stockholders				
JoAnne E. Burns(7)	422,574	8.1	422,574	4.1
RAB Special Situations (Master) Fund Limited(8)	387,000	7.5	387,000	3.8
Henderson Global Investors Limited(9)	267,969	5.2	267,969	2.6

* represents a beneficial ownership of less than one percent of our outstanding common stock.

(1) Includes 543 shares held by Princeton Research Associates, Inc. Dr. Taylor is President and a director of Princeton Research Associates. Dr. Taylor disclaims beneficial ownership of the shares held by Princeton Research Associates except to the extent of his pecuniary interest therein. On February 27, 2007, Dr. Taylor

exercised options to purchase 15,000 shares of common stock and paid the exercise price of such options ($127,500) by transferring 7,456 shares of common stock held by him to the Company, as permitted by the terms of the applicable option plan. Also includes 321,287 shares owned by JoAnne E. Burns over which Dr. Taylor has sole voting power pursuant to a Voting and First Refusal Agreement between Dr. Taylor and Ms. Burns, dated September 27, 2003 and amended and restated on April 18, 2005. Also includes 377,700 shares of common stock issuable upon the exercise of options that are currently exercisable or exercisable within sixty days of March 31, 2007.

(2) Includes 76,720 shares held by Dunfield Investment Company. Mr. Dunleavy is a Managing Partner of Dunfield Investment Company. Mr. Dunleavy disclaims beneficial ownership of the shares held by Dunfield Investment Company except to the extent of his pecuniary interest therein. Also includes 174,150 shares of common stock issuable upon the exercise of options that are currently exercisable or exercisable within sixty days of March 31, 2007.

(3) Consists of 14,000 shares of common stock issuable upon the exercise of options that are currently exercisable or exercisable within sixty days of March 31, 2007.

(4) Consists of 24,700 shares of common stock issuable upon the exercise of options that are currently exercisable or exercisable within sixty days of March 31, 2007.

(5) Includes 13,250 shares of common stock issuable upon the exercise of options that are currently exercisable or exercisable within sixty days of March 31, 2007.

(6) Includes 8,000 shares of common stock issuable upon the exercise of options that are currently exercisable or exercisable within sixty days of March 31, 2007.

(7) Includes 321,287 shares owned by JoAnne E. Burns over which Dr. George W. Taylor has sole voting power pursuant to a Voting and First Refusal Agreement between Dr. Taylor and Ms. Burns, dated September 27, 2003 and amended and restated on April 18, 2005.

(8) Based solely on filings with the SEC, RAB Special Situations (Master) Fund Limited owns 387,000 shares of common stock. William Philip Richards, the fund manager of RAB Special Situations (Master) Fund Limited, owns 10,000 shares.

(9) Henderson Global Investors Limited is a wholly-owned subsidiary of Henderson Global Investors (Holdings) plc. Henderson Global Investors (Holdings) plc is a wholly-owned subsidiary of Henderson Group plc, a publicly traded company. The board of directors of Henderson Group plc are Rupert Pennant-Rea, Gerald Aherne, Duncan Ferguson, Anthony Hotson, John Roques, Roger Yates and Toby Hiscock.

Selling Stockholders

The stockholders listed in the following table have granted an option to the underwriters to purchase up to an aggregate of 90,000 additional shares of our common stock to cover over-allotments. The following table sets forth for each selling stockholder the number of shares of our common stock subject to the over-allotment option. The information under "Shares Beneficially Owned After Offering" assumes full exercise of the underwriter's over-allotment option.

		Shares Beneficially Owned Prior to Offering Common Stock		Shares Beneficially Owned After Offering Common Stock	
Name	**Number of Shares of Common Stock Offered**	**Shares**	**%**	**Shares**	**%**
JoAnne E. Burns	75,000	422,574	8.1	347,547	3.2
Charles F. Dunleavy	15,000	288,486	5.4	273,486	2.5
Total	90,000	711,060	13.3	621,060	5.6

Ms. Burns owns shares that were transferred to her by the estate of Joseph R. Burns, one of our co-founders. She is not our employee or a member of our board of directors. Mr. Dunleavy is employed as our chief financial officer and senior vice president and is a member of our board of directors.

DESCRIPTION OF CAPITAL STOCK

General

The following description of our capital stock and provisions of our certificate of incorporation and bylaws are summaries and are qualified by reference to the certificate of incorporation and the bylaws that will be in effect upon our reincorporation in Delaware prior to completion of this offering. Copies of these documents have been filed with the SEC as exhibits to our registration statement, of which this prospectus forms a part. The descriptions of the common stock and preferred stock reflect changes to our capital structure that will occur prior to this offering.

Immediately prior to this offering, our authorized capital stock will consist of 105,000,000 shares of common stock, par value $0.001 per share, and 5,000,000 shares of preferred stock, par value $0.001 per share, all of which will be undesignated.

As of April 30, 2006, we had issued and outstanding 5,171,119 shares of common stock, held by 478 stockholders of record. As of January 31, 2007, we had issued and outstanding 5,177,219 shares of common stock, held by 537 stockholders of record. As of January 31, 2007, we also had outstanding options to purchase 1,366,574 shares of common stock at a weighted average exercise price of $14.25 per share.

Common Stock

Holders of common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Accordingly, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election. Holders of common stock are entitled to receive proportionately any dividends as may be declared by our board of directors, subject to any preferential dividend rights of outstanding preferred stock. Upon our liquidation, dissolution or winding up, the holders of common stock are entitled to receive proportionately our net assets available after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights. Our outstanding shares of common stock are, and the shares offered by us in this offering will be, when issued and paid for, fully paid and nonassessable. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Preferred Stock

Under the terms of our certificate of incorporation, our board of directors is authorized to issue shares of preferred stock in one or more series without stockholder approval. Our board of directors has the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock.

Authorizing our board of directors to issue preferred stock and determine its rights and preferences has the effect of eliminating delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, future financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or could discourage a third party from seeking to acquire, a majority of our outstanding common stock. Upon completion of this offering, there will be no shares of preferred stock outstanding, and we have no present plans to issue any shares of preferred stock.

Anti-Takeover Effects of Delaware Law; Our Certificate of Incorporation and Our Bylaws

Delaware law, our certificate of incorporation and our bylaws contain provisions that could have the effect of delaying, deferring or discouraging another party from acquiring control of us. These provisions, which are summarized below, are intended to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors.

Removal of Directors

Our certificate of incorporation and our bylaws provide that directors may be removed only for cause and only by the affirmative vote of the holders of 75% of our shares of capital stock present in person or by proxy and entitled to vote. Under our certificate of incorporation and bylaws, any vacancy on our board of directors, including a vacancy resulting from an enlargement of our board of directors, may be filled only by vote of a majority of our directors then in office.

The limitations on the ability of our stockholders to remove directors and fill vacancies could make it more difficult for a third party to acquire, or discourage a third party from seeking to acquire, control of us.

Stockholder Action by Written Consent; Special Meetings

Our certificate of incorporation provides that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. Our certificate of incorporation and our bylaws also provide that, except as otherwise required by law, special meetings of our stockholders can only be called by our chairman of the board, our chief executive officer, our president or our board of directors.

Advance Notice Requirements for Stockholder Proposals

Our bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of stockholders, including proposed nominations of persons for election to the board of directors. Stockholders at an annual meeting may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of the board of directors or by a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has delivered to our secretary a timely written notice in proper form of the stockholder’s intention to bring such business before the meeting. These provisions could have the effect of delaying until the next stockholder meeting stockholder actions that are favored by the holders of a majority of our outstanding voting securities.

Delaware Business Combination Statute

Upon reincorporation in Delaware, we will be subject to Section 203 of the Delaware General Corporation Law. Subject to certain exceptions, Section 203 prevents a publicly held Delaware corporation from engaging in a “business combination” with any “interested stockholder” for three years following the date that the person became an interested stockholder, unless the interested stockholder attained such status with the approval of our board of directors or unless the business combination is approved in a prescribed manner. A “business combination” includes, among other things, a merger or consolidation involving us and the “interested stockholder” and the sale of more than 10% of our assets. In general, an “interested stockholder” is any entity or person beneficially owning 15% or more of our outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person.

Amendment of Certificate of Incorporation and Bylaws

The Delaware General Corporation Law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation’s certificate of incorporation or bylaws, unless a corporation’s certificate of incorporation or bylaws, as the case may be, requires a greater percentage. Our bylaws may be amended or repealed by a majority vote of our board of directors or the affirmative vote of the holders of at least 75% of the voting power of our capital stock issued and outstanding and entitled to vote on the matter.

Limitation of Liability and Indemnification of Officers and Directors

Our certificate of incorporation that will be in effect upon the completion of this offering limits the personal liability of directors for breach of fiduciary duty to the maximum extent permitted by the Delaware General Corporation Law. Our certificate of incorporation provides that no director will have personal liability to us or to our stockholders for monetary damages for breach of fiduciary duty or other duty as a director. However, these provisions do not eliminate or limit the liability of any of our directors:

- for any breach of their duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- for voting or assenting to unlawful payments of dividends or other distributions; or
- for any transaction from which the director derived an improper personal benefit.

Any amendment to or repeal of these provisions will not eliminate or reduce the effect of these provisions in respect of any act or failure to act, or any cause of action, suit or claim that would accrue or arise prior to any amendment or repeal or adoption of an inconsistent provision. If the Delaware General Corporation Law is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the Delaware General Corporation Law.

In addition, our certificate of incorporation provides that we must indemnify our directors and officers and we must advance expenses, including attorneys' fees, to our directors and officers in connection with legal proceedings, subject to limited exceptions.

Notice of Share Ownership

Our bylaws that will be in effect upon completion of the offering will contain a provision requiring any beneficial owner of three percent or more of our outstanding common stock to notify us of his or her shareholdings, as well as of any change in his or her beneficial ownership of one percent or more of our outstanding common stock. In accordance with the rules of the AIM market, we are required to disclose this information to the AIM market. Our bylaws do not provide for any specific remedy in the event a shareholder does not comply with this provision. We do not intend to make any such information public, unless required by law or the rules of the AIM market, the SEC or The Nasdaq Global Market.

Authorized But Unissued Shares

The authorized but unissued shares of common stock and preferred stock are available for future issuance without stockholder approval, subject to any limitations imposed by the listing standards of The Nasdaq Market and the AIM market. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could make it more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Limited.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock in the United States, and a liquid trading market for our common stock in the United States may not develop or be sustained after this offering. Our common stock has been listed on the AIM market of the London Stock Exchange under the symbol "OPT" since October 2003, and we expect that it will continue to be listed on the AIM market after this offering. Future sales of substantial amounts of common stock, including shares issued upon exercise of outstanding options or in the public markets after this offering, or the anticipation of those sales, could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through sales of our equity securities. We have applied for the quotation of our common stock on The Nasdaq Global Market under the symbol "OPTT."

Upon the completion of this offering, we will have outstanding 10,186,263 shares of common stock (based on 5,186,263 shares of our common stock outstanding as of March 31, 2007). All the shares of common stock sold in this offering will be freely tradable in the United States without restriction or further registration under the Securities Act, except for any shares purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act. Shares acquired directly or indirectly from us or any of our affiliates in a transaction or series of transactions not involving a public offering are "restricted securities" under Rule 144. A portion of these restricted securities will be subject to the 180-day lock-up period described below. The balance of our outstanding shares, including the 2,000,000 shares sold in an offering on the AIM market in 2003, are freely tradable without restriction or further registration under the federal securities laws.

These restricted securities and shares held by our affiliates may be sold in the public market in the United States only if registered or if they qualify for an exemption from registration under Rules 144 or 701 under the Securities Act.

Rule 144

In general, under Rule 144, beginning 90 days after the date of this prospectus, a person who has beneficially owned shares of our common stock for at least one year would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately 101,862 shares immediately after this offering, and
- the average weekly trading volume in our common stock on The Nasdaq Global Market during the four calendar weeks preceding the sale.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us. Beginning 90 days after the date of this prospectus, 175,279 shares of common stock will be eligible for sale under Rule 144. Upon the expiration of the 180-day lock-up period described below, an additional 1,410,750 shares of common stock will also be eligible for sale under Rule 144.

Rule 144(k)

Shares of our common stock eligible for sale under Rule 144(k) may be sold in the United States immediately upon the completion of this offering. In general, under Rule 144(k), a person may sell shares of common stock acquired from us immediately upon the completion of this offering, without regard to the volume, manner of sale or availability of public information requirements of Rule 144, if:

- the person is not our affiliate and has not been our affiliate at any time during the three months preceding the sale; and
- the person has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner other than an affiliate.

Approximately 3,600,000 shares, or 35%, of our common stock will be eligible for sale under Rule 144(k) immediately upon completion of this offering or under other exemptions.

Rule 701

In general, under Rule 701 of the Securities Act, any of our employees, consultants or advisors who purchased shares from us in connection with a qualified compensatory stock plan or other written agreement is eligible to resell those shares 90 days after the effective date of this offering in reliance on Rule 144, but without compliance with the various restrictions, including the holding period, contained in Rule 144. Subject to the 180-day lock-up period described below, 55,146 shares of our common stock will be eligible for sale in accordance with Rule 701.

Lock-Up Agreements

Our executive officers and directors and the selling stockholders have agreed that, without the prior written consent of UBS Securities LLC, Banc of America Securities LLC and Bear, Stearns & Co. Inc., they will not, during the period ending 180 days after the date of this prospectus, offer, sell, contract to sell or otherwise dispose of, directly or indirectly, or hedge our common stock or securities convertible into or exchangeable for or exercisable for our common stock, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable for common stock.

Stock Options

As of January 31, 2007, we had outstanding options to purchase 1,366,574 shares of common stock, of which options to purchase 1,026,816 shares of common stock were vested as of that date. Following this offering, we intend to file registration statements on Form S-8 under the Securities Act to register all of the shares of common stock subject to outstanding options and other awards issuable pursuant to our 1994 stock option plan, incentive stock option plan, 2001 stock plan and 2006 stock incentive plan. Please see "Management — Stock Option and Other Compensation Plans" for additional information regarding these plans.

MATERIAL US FEDERAL INCOME AND ESTATE TAX CONSEQUENCES TO NON-US HOLDERS

The following is a general discussion of the material US federal income and estate tax consequences of the ownership and disposition of our common stock by a non-US holder that acquires common stock pursuant to this offering. The discussion is based on provisions of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, applicable US Treasury regulations promulgated thereunder and administrative and judicial interpretations, all as in effect on the date of this prospectus, and all of which are subject to change, possibly on a retroactive basis. The discussion is limited to non-US holders that hold our common stock as a “capital asset” within the meaning of Section 1221 of the Code — generally, as property held for investment. As used in this discussion, the term “non-US holder” means a beneficial owner of our common stock that is not, for US federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation or partnership, including any entity treated as a corporation or partnership for US federal income tax purposes, created or organized in or under the laws of the United States or any state of the United States or the District of Columbia, other than a partnership treated as foreign under US Treasury regulations;
- an estate the income of which is includible in gross income for US federal income tax purposes regardless of its source; or
- a trust (1) if a US court is able to exercise primary supervision over the administration of the trust and one or more US persons have authority to control all substantial decisions of the trust, or (2) that has a valid election in effect under applicable US Treasury regulations to be treated as a US person.

This discussion does not consider:

- US federal gift tax consequences, or US state or local or non-US tax consequences of an investment in our common stock;
- specific facts and circumstances that may be relevant to a particular non-US holder’s tax position, including, if the non-US holder is a partnership, that the US tax consequences of holding and disposing of our common stock may be affected by certain determinations made at the partner level;
- the tax consequences for partnerships or persons who hold their interests through a partnership or other entity classified as a partnership for US federal income tax purposes;
- the tax consequences for the stockholders or beneficiaries of a non-US holder;
- all of the US federal tax considerations that may be relevant to a non-US holder in light of its particular circumstances or to non-US holders that may be subject to special treatment under US federal tax laws, such as financial institutions, insurance companies, tax-exempt organizations, certain trusts, hybrid entities, certain former citizens or residents of the United States, holders subject to US federal alternative minimum tax, broker-dealers, traders in securities, pension plans and regulated investment companies; or
- special tax rules that may apply to a non-US holder that holds our common stock as part of a “straddle,” “hedge,” “conversion transaction,” “synthetic security” or other integrated investment.

Prospective investors are urged to consult their own tax advisors regarding the US federal, state, local and non-US income and other tax considerations with respect to owning and disposing of shares of our common stock.

Dividends

As previously discussed, we do not anticipate paying dividends on our common stock in the foreseeable future. See “Dividend Policy.” If we make distributions on our common stock, those payments will constitute dividends for US federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under US federal income tax principles. To the extent those distributions exceed our current and accumulated earnings and profits, the excess will constitute a return of capital and first reduce the non-US holder's basis, but not below zero, and then will be treated as gain from the sale of stock.

We will have to withhold US federal income tax at a rate of 30%, or a lower rate under an applicable income tax treaty, from the gross amount of the dividends paid to a non-US holder, unless the dividend is (1) effectively connected with the conduct of a trade or business of the non-US holder within the United States or (2) if an income tax treaty applies, attributable to a permanent establishment or fixed base of the non-US holder within the United States. Under applicable US Treasury regulations, a non-US holder, including, in certain cases of non-US holders that are entities, the owner or owners of such entities, will be required to satisfy certain certification requirements in order to claim a reduced rate of withholding pursuant to an applicable income tax treaty. Non-US holders should consult their tax advisors regarding their entitlement to benefits under any relevant income tax treaty.

Dividends that are effectively connected with a non-US holder's conduct of a trade or business in the United States and, if an income tax treaty applies, attributable to a permanent establishment or fixed base of the non-US holder within the United States, are taxed on a net income basis at the regular graduated US federal income tax rates in the same manner as if the non-US holder were a resident of the United States. In such cases, we will not have to withhold US federal income tax if the non-US holder complies with applicable certification and disclosure requirements. In addition, a "branch profits tax" may be imposed at a 30% rate, or a lower rate under an applicable income tax treaty, on dividends received by a foreign corporation that are effectively connected with the conduct of a trade or business in the United States.

In order to claim the benefit of an income tax treaty or to claim exemption from withholding because the income is effectively connected with the conduct of a trade or business in the United States, the non-US holder must provide a properly executed IRS Form W-8BEN, for treaty benefits, or W-8ECI, for effectively connected income, or such successor forms as the Internal Revenue Service, or IRS, designates prior to the payment of dividends. These forms must be periodically updated.

A non-US holder that is eligible for a reduced rate of US federal withholding tax under an income tax treaty may obtain a refund of any excess amounts withheld by filing with the IRS an appropriate claim for a refund together with the required information.

Gain on Disposition of Common Stock

A non-US holder generally will not be subject to US federal income tax or withholding tax with respect to gain realized on a sale or other disposition of our common stock unless one of the following applies:

- the gain is effectively connected with the non-US holder's conduct of a trade or business in the United States and, if an income tax treaty applies, is attributable to a permanent establishment or fixed base maintained by the non-US holder in the United States; in these cases, the non-US holder will generally be taxed on its net gain derived from the disposition in the manner and at the regular graduated US federal income tax rates applicable to United States persons, as defined in the Code, and, if the non-US holder is a foreign corporation, the "branch profits tax" described above may also apply;
- the non-US holder is a nonresident alien individual who is present in the United States for 183 days or more in the taxable year of the disposition and meets certain other requirements; in this case, the non-US holder will be subject to a 30% tax on the gain derived from the disposition, which may be offset by US source capital losses of the non-US holder, if any; or
- our common stock constitutes a United States real property interest by reason of our status as a "United States real property holding corporation," or a USRPHC, for US federal income tax purposes at any time during the shorter of the five-year period ending on the date of such disposition or the period that the non-US holder held our common stock. We believe that we are not currently and will not become a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our United States real property interests relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. As long as

our common stock is "regularly traded on an established securities market" within the meaning of Section 897(c)(3) of the Code, however, such common stock will be treated as United States real property interests only if a non-US holder owned directly or indirectly more than 5% of such regularly traded common stock during the shorter of the five-year period ending on the date of disposition or the period that the non-US holder held our common stock and we were a USRPHC during such period. If we are or were to become a USRPHC and a non-US holder owned directly or indirectly more than 5% of our common stock during the period described above or our common stock is not "regularly traded on an established securities market," then a non-US holder would generally be subject to US federal income tax on its net gain derived from the disposition of our common stock at the regular graduated US federal income tax rates applicable to United States persons, as defined in the Code.

Federal Estate Tax

Common stock owned or treated as owned at the time of death by an individual who is not a citizen or resident of the United States, as specifically defined for US federal estate tax purposes, will be included in the individual's gross estate for US federal estate tax purposes, unless an applicable estate tax or other treaty provides otherwise, and, therefore, may be subject to US federal estate tax.

Information Reporting and Backup Withholding Tax

We must report annually to the IRS and to each non-US holder the gross amount of the distributions paid to that holder and the tax withheld from those distributions. These reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable income tax treaty. Copies of the information returns reporting those distributions and withholding may also be made available under the provisions of an applicable income tax treaty or agreement to the tax authorities in the country in which the non-US holder is a resident or incorporated.

Under some circumstances, US Treasury regulations require backup withholding and additional information reporting on reportable payments on common stock. The gross amount of dividends paid to a non-US holder that fails to certify its non-US holder status in accordance with applicable US Treasury regulations generally will be reduced by backup withholding at the applicable rate, currently 28%. Dividends paid to non-US holders subject to the US withholding tax at a rate of 30%, described above in "Dividends," generally will be exempt from US backup withholding.

The payment of the proceeds of the sale or other disposition of common stock by a non-US holder effected by or through the US office of any broker, US or non-US, generally will be reported to the IRS and reduced by backup withholding, unless the non-US holder either certifies its status as a non-US holder under penalties of perjury or otherwise establishes an exemption. The payment of the proceeds from the disposition of common stock by a non-US holder effected by or through a non-US office of a non-US broker generally will not be reduced by backup withholding or reported to the IRS, unless the non-US broker has certain enumerated connections with the United States. In general, the payment of proceeds from the disposition of common stock effected by or through a non-US office of a broker that is a US person or has certain enumerated connections with the United States will be reported to the IRS and may be reduced by backup withholding unless the broker receives a statement from the non-US holder that certifies its status as a non-US holder under penalties of perjury or the broker has documentary evidence in its files that the holder is a non-US holder.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a non-US holder can be refunded or credited against the non-US holder's US federal income tax liability, if any, provided that the required information is furnished to the IRS in a timely manner. These backup withholding and information reporting rules are complex and non-US holders are urged to consult their own tax advisors regarding the application of these rules to them.

The foregoing discussion of US federal income and estate tax considerations is not tax advice and is not based on an opinion of counsel. Accordingly, each prospective non-US holder of our common stock should consult that holder's own tax advisor with respect to the federal, state, local and non-US tax consequences of the ownership and disposition of our common stock.

UNDERWRITING

We and the selling stockholders are offering the shares of our common stock described in this prospectus through the underwriters named below. UBS Securities LLC, Banc of America Securities LLC and Bear, Stearns & Co. Inc. are the joint bookrunners and representatives of the underwriters. We and the selling stockholders have entered into an underwriting agreement with the underwriters named below. Subject to the terms and conditions of the underwriting agreement, each of the underwriters has severally agreed to purchase from us the number of shares of common stock listed next to its name in the following table.

Underwriter	Number of Shares
UBS Securities LLC	
Banc of America Securities LLC	
Bear, Stearns & Co. Inc.	
First Albany Capital Inc.	
Total	5,000,000

The underwriting agreement provides that the underwriters must buy all of the shares if they buy any of them. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option described below.

The common stock is offered subject to a number of conditions, including:

- receipt and acceptance of the common stock by the underwriters, and
- the underwriters' right to reject orders in whole or in part.

In connection with this offering, certain of the underwriters or securities dealers may distribute prospectuses electronically.

Sales of shares made outside of the United States may be made by affiliates of the underwriters.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement such as the receipt by the underwriters of officer's certificates and legal opinions.

Over-Allotment Option

The underwriters have an option to buy up to 90,000 additional shares of our common stock from the selling stockholders and up to 660,000 additional shares of common stock from us. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with this offering. The underwriters have 30 days from the date of this prospectus to exercise this option. If any shares are purchased with this over-allotment option, the underwriters will purchase shares first from the selling stockholders and then from us. If the underwriters exercise this option, they will each purchase additional shares approximately in proportion to the amounts specified in the table above.

Commissions and Discounts

Shares sold by the underwriters to the public will initially be offered at the offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the public offering price. Any of these securities dealers may resell any shares purchased from the underwriters to other brokers or dealers at a discount of up to $ per share from the public offering price. If all the shares are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms. The underwriters have informed us that they do not expect discretionary sales to exceed 5% of the shares of common stock to be offered.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters, assuming both no exercise and full exercise of the underwriters' option to purchase up to 750,000 additional shares:

	No Exercise	Full Exercise
Per share	$	$
Total	$	$

We will pay the underwriting discounts and commissions on all shares sold by us, and the selling stockholders will pay the underwriting discounts and commissions on any shares sold by them. We estimate that the total expenses of this offering payable by us, not including the underwriting discounts and commissions, will be approximately $2.9 million.

No Sales of Similar Securities

We, our executive officers and directors and the selling stockholders have entered into lock-up agreements with the underwriters. Under these agreements, we and each of these persons may not, without the prior written approval of UBS Securities LLC, Banc of America Securities LLC and Bear, Stearns & Co. Inc., offer, sell, contract to sell or otherwise dispose of or hedge our common stock or securities convertible into or exchangeable for our common stock. These restrictions will be in effect for a period of 180 days after the date of this prospectus. At any time and without public notice, UBS Securities LLC, Banc of America Securities LLC and Bear, Stearns & Co. Inc. may in their sole discretion release some or all of the securities from these lock-up agreements.

These lock-up agreements are subject to certain exceptions. For example, we will be permitted to issue common stock, or securities convertible into or exercisable or exchangeable for our common stock, in connection with any transaction that includes a strategic relationship or any acquisition of assets or acquisition of a majority or controlling portion of the equity of another entity, so long as the recipient of any such common stock or other securities executes and delivers to UBS Securities LLC, Banc of America Securities LLC and Bear, Stearns & Co. Inc. a lock-up agreement and the aggregate amount of common stock or other securities issued in all such transaction does not exceed 5% of the outstanding shares of common stock on a fully diluted basis after giving effect to this offering.

If:

- during the period that begins on the date that is 15 calendar days plus three business days before the last day of the 180-day lock-up period and ends on the last day of the 180-day lock-up period,
  - we issue an earnings release or
  - material news or a material event relating to us occurs; or
- prior to the expiration of the 180-day lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day lock-up period,

then the 180-day lock-up period will be extended until the expiration of the date that is 15 calendar days plus three business days after the date on which the issuance of the earnings release or the material news or material event occurs.

Indemnification and Contribution

We and the selling stockholders have agreed to indemnify the underwriters and their controlling persons against certain liabilities, including liabilities under the Securities Act. If we are unable to provide this indemnification, we and the selling stockholders will contribute to payments the underwriters and their controlling persons may be required to make in respect of those liabilities.

Nasdaq Listing

We have applied to have our common stock listed on The Nasdaq Global Market under the trading symbol "OPTT."

AIM Market Listing

Our common stock has been listed on the AIM market of the London Stock Exchange since October 2003 under the symbol "OPT." We will apply to list the shares of common stock being offered by this prospectus on the AIM market, although we cannot assure you that we will maintain the listing of our common stock on the AIM market.

Price Stabilization, Short Positions

In connection with this offering, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our common stock on The Nasdaq Global Market, including:

- stabilizing transactions;
- short sales;
- purchases to cover positions created by short sales;
- imposition of penalty bids;
- syndicate covering transactions; and
- passive market making.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our common stock while this offering is in progress. These transactions may also include making short sales of our common stock, which involve the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering. Short sales may be "covered short sales," which are short positions in an amount not greater than the underwriters' over-allotment option referred to above, or may be "naked short sales," which are short positions in excess of that amount.

The underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which they may purchase shares through the over-allotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchased in this offering.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of that underwriter in stabilizing or short covering transactions. In connection with this offering, certain underwriters and selling group members, if any, who are qualified market makers on The Nasdaq Global Market may engage in passive market making transactions in our common stock on The Nasdaq Global Market in accordance with Rule 103 of Regulation M under the Securities Exchange Act of 1934. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid of such security; if all independent bids are lowered below the passive market maker's bid, however, such bid must then be lowered when certain purchase limits are exceeded.

As a result of these activities, the price of our common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. The underwriters may carry out these transactions on The Nasdaq Global Market in the over-the-counter market or otherwise.

Determination Of Offering Price

Prior to this offering, there has been no trading market for our common stock in the United States. Our common stock has been listed on the AIM market of the London Stock Exchange since October 2003 under the symbol "OPT." The initial public offering price of the common stock being offered by this prospectus will be determined by negotiation by us and the representatives of the underwriters. The principal factors to be considered in determining the initial public offering price include:

- the information set forth in this prospectus and otherwise available to the representatives;
- our history and prospects and the history of, and prospects for, the industry in which we compete;

- our past and present financial performance and an assessment of our management;
- our prospects for future earnings and the present state of our development;
- the general condition of the securities markets at the time of this offering;
- the recent market prices of, and the demand for, publicly traded common stock of generally comparable companies and of us; and
- the historical trading prices of our common stock on the AIM market, which may not be indicative of prices that will prevail in the trading market for our common stock in the United States.

Affiliations

Certain of the underwriters and their affiliates have in the past provided and may from time to time provide certain commercial banking, financial advisory, investment banking and other services for us for which they were and will be entitled to receive separate fees.

The underwriters and their affiliates may from time to time in the future engage in transactions with us and perform services for us in the ordinary course of their business.

Selling Restrictions

Each underwriter intends to comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers shares of our common stock or has in its possession or distributes this prospectus.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date), an offer of shares of our common stock to the public may not be made in that Relevant Member State prior to the publication of a prospectus in relation to such shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that an offer to the public in that Relevant Member State of any shares of our common stock may be made at any time under the following exemptions under the Prospectus Directive if they have been implemented in the Relevant Member State:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43 million and (3) an annual net turnover of more than €50 million, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances falling within Article 3 (2) of the Prospectus Directive, provided that no such offer of Securities shall result in a requirement for the publication by the us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of shares of our common stock to the public” in relation to any shares of our common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares of our common stock to be offered so as to enable an investor to decide to purchase or subscribe the shares of our common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

France

No prospectus (including any amendment, supplement or replacement thereto) has been prepared in connection with the offering of the shares of our common stock that has been approved by the Autorité des marchés financiers or by the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the Autorité des marchés financiers; no shares of our common stock have been offered or sold and will be offered or sold, directly or indirectly, to the public in France except to permitted investors ("Permitted Investors") consisting of persons licensed to provide the investment service of portfolio management for the account of third parties, qualified investors (investisseurs qualifiés) acting for their own account and/or investors belonging to a limited circle of investors (cercle restreint d'investisseurs) acting for their own account, with "qualified investors" and "limited circle of investors" having the meaning ascribed to them in Articles L. 411-2, D. 411-1, D. 411-2, D. 411-4, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Code Monétaire et Financier and applicable regulations thereunder; none of this prospectus or any other materials related to the offering or information contained therein relating to the shares of our common stock has been released, issued or distributed to the public in France except to Permitted Investors; and the direct or indirect resale to the public in France of any Securities acquired by any Permitted Investors may be made only as provided by Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Code Monétaire et Financier and applicable regulations thereunder.

United Kingdom

Each underwriter acknowledges and agrees that:

(i) it has not offered or sold and will not offer or sell shares of our common stock other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of such shares would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by us;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Italy

The offering of shares of our common stock has not been cleared by the Italian Securities Exchange Commission (Commissione Nazionale per le Società e la Borsa, the "CONSOB") pursuant to Italian securities legislation and, accordingly, each underwriter acknowledges and agrees that the shares of our common stock may not and will not be offered, sold or delivered, nor may or will copies of this prospectus or any other documents relating to the shares of our common stock be distributed in Italy, except (i) to professional investors (operatori qualificati), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of July 1, 1998, as amended (the "Regulation No. 11522"), or (ii) in other circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 (the "Financial Service Act") and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended.

Any offer, sale or delivery of shares of our common stock or distribution of copies of this prospectus or any other document relating to the shares of our common stock in Italy may and will be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations, and, in particular, will be: (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of September 1, 1993, as amended (the "Italian Banking Law"), Regulation No. 11522, and any other applicable laws and regulations; (ii) in compliance with Article 129 of the Italian Banking Law and the implementing guidelines of the Bank of Italy; and (iii) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Any investor purchasing shares of our common stock in the offering is solely responsible for ensuring that any offer or resale of the shares of our common stock it purchased in the offering occurs in compliance with applicable laws and regulations.

This prospectus and the information contained therein are intended only for the use of its recipient and, unless in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of the "Financial Service Act" and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended, is not to be distributed, for any reason, to any third party resident or located in Italy. No person resident or located in Italy other than the original recipients of this document may rely on it or its content.

Italy has only partially implemented the Prospectus Directive, the provisions under the heading "European Economic Area" above shall apply with respect to Italy only to the extent that the relevant provisions of the Prospectus Directive have already been implemented in Italy.

Insofar as the requirements above are based on laws that are superseded at any time pursuant to the implementation of the Prospectus Directive, such requirements shall be replaced by the applicable requirements under the Prospectus Directive.

LEGAL MATTERS

The validity of the common stock we are offering will be passed upon by Wilmer Cutler Pickering Hale and Dorr LLP, New York, New York. Certain legal matters relating to this offering that are governed New Jersey state law will be passed upon for us by Fox Rothschild LLP, Princeton, New Jersey. Fox Rothschild LLP, Princeton, New Jersey and Morgan, Lewis & Bockius LLP, Princeton, New Jersey are acting as counsel to the selling stockholders in connection with this offering. Davis Polk & Wardwell, New York, New York is counsel for the underwriters in connection with this offering.

EXPERTS

Our consolidated financial statements as of April 30, 2005 and 2006, and for the years then ended, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing. The audit report contains an explanatory paragraph that states that we have restated our consolidated statement of cash flows for the year ended April 30, 2005.

Our consolidated financial statements for the year ended April 30, 2004 included in this prospectus and elsewhere in the registration statement have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the restatement discussed in Note 1(b)) appearing herein and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act of 1933 with respect to the shares of common stock we are offering to sell. This prospectus, which constitutes part of the registration statement, does not include all of the information contained in the registration statement and the exhibits, schedules and amendments to the registration statement. For further information with respect to us and our common stock, we refer you to the registration statement and to the exhibits and schedules to the registration statement. Statements contained in this prospectus about the contents of any contract or any other document are not necessarily complete, and, and in each instance, we refer you to the copy of the contract or other documents filed as an exhibit to the registration statement. Each of these statements is qualified in all respects by this reference.

You may read and copy the registration statement of which this prospectus is a part at the SEC's public reference room, which is located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You can request copies of the registration statement by writing to the SEC and paying a fee for the copying cost. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the SEC's public reference room. In addition, the SEC maintains an Internet website, which is located at http://www.sec.gov, that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. You may access the registration statement of which this prospectus is a part at the SEC's Internet website. Upon completion of this offering, we will be subject to the information reporting requirements of the Securities Exchange Act of 1934, and we will file reports, proxy statements and other information with the SEC.

We maintain an Internet website at www.oceanpowertechnologies.com. We have not incorporated by reference into this prospectus the information on our website, and you should not consider it to be part of this prospectus.

This prospectus includes statistical data that were obtained from industry publications. These industry publications generally indicate that the authors of these publications have obtained information from sources believed to be reliable but do not guarantee the accuracy and completeness of their information.

OCEAN POWER TECHNOLOGIES, INC. AND SUBSIDIARIES

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

When the common stock reverse stock split referred to in Note 14 of the Notes to Consolidated Financial Statements has been consummated, we will be in a position to render the following report.

/s/ KPMG LLP

The Board of Directors and Stockholders
Ocean Power Technologies, Inc.:

We have audited the accompanying consolidated balance sheets of Ocean Power Technologies, Inc. and subsidiaries as of April 30, 2005 and 2006, and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ocean Power Technologies, Inc. and subsidiaries as of April 30, 2005 and 2006, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As further discussed in Note 1(b), the Company has restated its consolidated statement of cash flows for the year ended April 30, 2005.

Philadelphia, Pennsylvania
October 30, 2006, except as to Note 14,
which is as of April , 2007

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Ocean Power Technologies, Inc.:

We have audited the accompanying consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows of Ocean Power Technologies, Inc. and subsidiary for the year ended April 30, 2004. These consolidated financial statements are the responsibility of the Company's management.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Ocean Power Technologies, Inc. and subsidiary for the year ended April 30, 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1(b), the Company has restated its consolidated statement of cash flows for the year ended April 30, 2004.

Parsippany, New Jersey
July 20, 2004 (November 8, 2006 as to the effects of the restatement discussed in Note 1(b) and April   , 2007 as to Note 14)

The accompanying financial statements give effect to a 1-for-10 reverse stock split of the common stock of Ocean Power Technologies, Inc. which will be consummated prior to the effective date of the registration statement of which this prospectus is a part. The preceding report is in the form which will be furnished by Deloitte & Touche LLP, an independent registered public accounting firm, upon completion of the 1-for-10 reverse stock split of the common stock of Ocean Power Technologies, Inc. described in Note 14 to the consolidated financial statements and assuming that from July 20, 2004 to the date of such completion no other material events have occurred that would affect the accompanying consolidated financial statements or disclosure therein.

/s/ Deloitte & Touche LLP
Parsippany, New Jersey
April 9, 2007

OCEAN POWER TECHNOLOGIES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	April 30, 2005	April 30, 2006	January 31, 2007 (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 13,584,814	31,957,209	19,622,549
Certificates of deposit	25,202,362	482,156	7,034,603
Accounts receivable	668,424	—	494,673
Unbilled receivables	822,037	211,000	345,418
Other current assets	464,582	331,139	2,232,443
Total current assets	40,742,219	32,981,504	29,729,686
Property and equipment, net	427,613	544,285	439,431
Patents, net of accumulated amortization of $137,693, $157,451 and $172,490 (unaudited), respectively	334,809	372,448	526,443
Other noncurrent assets	91,746	97,901	230,070
Total assets	$ 41,596,387	33,996,138	30,925,630
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 876,968	242,624	685,897
Accrued expenses	1,891,483	1,726,870	2,724,694
Unearned revenues	16,788	14,405	66,877
Other current liabilities	53,773	111,576	27,496
Total current liabilities	2,839,012	2,095,475	3,504,964
Long-term debt	245,844	233,959	233,959
Deferred rent	—	—	9,472
Deferred credits	675,000	600,000	600,000
Total liabilities	3,759,856	2,929,434	4,348,395
Commitments and contingencies (note 13)			
Stockholders' equity:			
Preferred stock, $0.001 par value; authorized 5,000,000 shares; none issued or outstanding	—	—	—
Common stock, $0.001 par value; authorized 105,000,000 shares; issued and outstanding 5,151,221, 5,171,119 and 5,177,219 (unaudited) shares, respectively	5,151	5,171	5,177
Additional paid-in capital	59,423,955	59,725,777	60,731,724
Accumulated deficit	(21,553,242)	(28,632,153)	(34,140,603)
Accumulated other comprehensive loss	(39,333)	(32,091)	(19,063)
Total stockholders' equity	37,836,531	31,066,704	26,577,235
Total liabilities and stockholders' equity	$ 41,596,387	33,996,138	30,925,630

See accompanying notes to consolidated financial statements.

OCEAN POWER TECHNOLOGIES, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

	Year Ended April 30,			Nine Months Ended January 31,	
	2004	2005	2006	2006	2007
				(Unaudited)	
Revenues	$ 4,713,202	5,365,235	1,747,715	1,467,283	1,513,631
Cost of revenues	4,319,850	5,170,521	2,059,318	1,920,980	2,103,108
Gross profit (loss)	393,352	194,714	(311,603)	(453,697)	(589,477)
Operating expenses:					
Product development costs	255,958	904,618	4,224,997	2,630,663	4,100,418
Selling, general, and administrative costs	1,745,955	2,553,911	3,190,687	2,168,345	3,083,621
Total operating expenses	2,001,913	3,458,529	7,415,684	4,799,008	7,184,039
Operating loss	(1,608,561)	(3,263,815)	(7,727,287)	(5,252,705)	(7,773,516)
Interest income, net	555,717	1,297,156	1,408,361	1,062,095	1,066,823
Other income (expense)	(3,500,096)	1,545	74,294	75,000	13,744
Foreign exchange gain (loss)	1,585,345	1,507,145	(978,242)	(1,514,630)	1,184,499
Loss before income taxes	(2,967,595)	(457,969)	(7,222,874)	(5,630,240)	(5,508,450)
Income tax benefit	118,119	29,335	143,963	143,963	—
Net loss	$ (2,849,476)	(428,634)	(7,078,911)	(5,486,277)	(5,508,450)
Basic and diluted net loss per share	$ (0.71)	(0.08)	(1.37)	(1.06)	(1.06)
Weighted average shares used to compute basic and diluted net loss per share	4,037,501	5,135,550	5,162,340	5,158,982	5,174,539

See accompanying notes to consolidated financial statements.

OCEAN POWER TECHNOLOGIES, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity and Comprehensive Loss

	Common Stock		Additional		Accumulated Other	
	Shares	Amount	Paid-In Capital	Accumulated Deficit	Comprehensive Loss	Stockholders' Equity
Balance, May 1, 2003	3,023,118	$ 1,327,889	$ 17,472,327	$ (18,275,132)	$ (34,299)	$ 490,785
Net loss	—	—	—	(2,849,476)	—	(2,849,476)
Foreign currency translation adjustment	—	—	—	—	1,371	1,371
Total comprehensive loss						(2,848,105)
Change to $0.001 par value	—	(1,324,866)	1,324,866	—	—	—
Compensation related to stock issued for services	4,979	5	92,345	—	—	92,350
Compensation related to stock option grants issued for services	—	—	311,024	—	—	311,024
Sale of common stock, net of issuance costs (including 17,817 shares issued as fee payment)	2,017,817	2,017	38,305,175	—	—	38,307,192
Stock issued under agreement with AMP Incorporation (now Tyco Electronics)	70,588	71	1,499,929	—	—	1,500,000
Balance, April 30, 2004	5,116,502	5,116	59,005,666	(21,124,608)	(32,928)	37,853,246
Net loss	—	—	—	(428,634)	—	(428,634)
Foreign currency translation adjustment	—	—	—	—	(6,405)	(6,405)
Total comprehensive loss						(435,039)
Compensation related to stock option grants issued to employees	—	—	131,500	—	—	131,500
Compensation related to stock option grants issued for services	—	—	53,174	—	—	53,174
Adjustment for shareholder reduction in shares held	(1,397)	(1)	1	—	—	—
Proceeds from exercise of stock options	36,116	36	233,614	—	—	233,650
Balance, April 30, 2005	5,151,221	5,151	59,423,955	(21,553,242)	(39,333)	37,836,531
Net loss	—	—	—	(7,078,911)	—	(7,078,911)
Foreign currency translation adjustment	—	—	—	—	7,242	7,242
Total comprehensive loss						(7,071,669)
Compensation related to stock option grants issued to employees	—	—	44,000	—	—	44,000
Compensation related to stock option grants issued for services	—	—	85,139	—	—	85,139
Stock issued for amounts received in prior years	2,732	3	49,997	—	—	50,000
Proceeds from exercise of stock options	17,166	17	122,686	—	—	122,703
Balance, April 30, 2006	5,171,119	5,171	59,725,777	(28,632,153)	(32,091)	31,066,704
Net loss (unaudited)	—	—	—	(5,508,450)	—	(5,508,450)
Foreign currency translation adjustment (unaudited)	—	—	—	—	13,028	13,028
Total comprehensive loss (unaudited)						(5,495,422)
Compensation related to stock option grants issued to employees (unaudited)	—	—	881,593	—	—	881,593
Compensation related to stock option grants issued for services (unaudited)	—	—	70,235	—	—	70,235
Proceeds from exercise of stock options (unaudited)	6,100	6	54,119	—	—	54,125
Balance, January 31, 2007 (unaudited)	5,177,219	$ 5,177	$ 60,731,724	$ (34,140,603)	$ (19,063)	$ 26,577,235

See accompanying notes to consolidated financial statements.

OCEAN POWER TECHNOLOGIES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended April 30, 2004 (Restated)	Year Ended April 30, 2005 (Restated)	Year Ended April 30, 2006	Nine Months Ended January 31, 2006 (Unaudited)	Nine Months Ended January 31, 2007 (Unaudited)
Cash flows from operating activities:					
Net loss	$ (2,849,476)	(428,634)	(7,078,911)	(5,486,277)	(5,508,450)
Adjustments to reconcile net loss to net cash used in operating activities:					
Foreign exchange (gain) loss	(1,585,345)	(1,507,145)	978,242	1,514,630	(1,184,499)
Depreciation and amortization	42,005	140,984	233,132	170,477	199,845
Loss on disposal of equipment	—	—	—	—	20,344
Compensation expense related to stock option grants and common stock issuance	403,374	184,674	129,139	—	951,828
Realization of deferred credits	—	—	(75,000)	(75,000)	—
Issuance of shares in connection with settlement agreement with AMP Incorporated (now Tyco Electronics)	1,500,000	—	—	—	—
Deferred rent	—	—	—	—	9,472
Changes in operating assets and liabilities:					
Accounts receivable	(46,925)	(621,499)	668,424	631,863	(477,281)
Unbilled receivables	(210,743)	(268,216)	611,037	448,902	(132,737)
Other current assets	(173,610)	(239,274)	161,505	105,439	(1,896,820)
Accounts payable	213,801	404,491	(632,778)	(510,113)	433,568
Accrued expenses	116,433	708,022	(121,840)	(252,598)	983,831
Unearned revenues	263,678	(246,890)	(2,383)	59,681	50,120
Other current liabilities	(87,841)	—	57,803	(27,667)	(85,470)
Net cash used in operating activities	(2,414,649)	(1,873,487)	(5,071,630)	(3,420,663)	(6,636,249)
Cash flows from investing activities:					
Purchases of certificates of deposit	(725,329)	(58,050,287)	(62,677,400)	(62,778,856)	(46,889,973)
Maturities of certificates of deposit	710,000	33,573,254	87,397,606	61,812,650	40,337,527
Purchases of equipment	(80,445)	(435,488)	(330,047)	(274,262)	(94,790)
Payments of patent costs	(79,415)	(125,414)	(57,396)	(26,549)	(163,494)
Investments in joint ventures and other noncurrent assets	—	(78,399)	(30,747)	578	(125,696)
Net cash (used in) provided by investing activities	(175,189)	(25,116,334)	24,302,016	(1,266,439)	(6,936,426)
Cash flows from financing activities:					
Sale of common stock, net of issuance costs	38,307,192	—	—		—
Proceeds from exercise of stock options	—	233,650	122,703	172,702	54,125
Net cash provided by financing activities	38,307,192	233,650	122,703	172,702	54,125
Effect of exchange rate changes on cash and cash equivalents	1,586,716	1,500,740	(980,694)	(1,508,409)	1,183,890
Net increase (decrease) in cash and cash equivalents	37,304,070	(25,255,431)	18,372,395	(6,022,809)	(12,334,660)
Cash and cash equivalents, beginning of period	1,536,175	38,840,245	13,584,814	13,584,814	31,957,209
Cash and cash equivalents, end of period	$ 38,840,245	13,584,814	31,957,209	7,562,005	19,622,549
Supplemental disclosure of noncash investing and financing activities:					
Issuance of shares in connection with amounts received in prior years	$ —	—	50,000	—	—
Issuance of shares to consultant in connection with offering on the AIM market	$ 378,000	—	—	—	—
Capitalized patent costs financed through accounts payable	$ —	—	—	—	5,540

See accompanying notes to consolidated financial statements.

OCEAN POWER TECHNOLOGIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(Information as of January 31, 2007 and for the Nine Months Ended
January 31, 2006 and 2007 is unaudited)

(1) Background

(a) Organization

Ocean Power Technologies, Inc. (the Company) was incorporated on April 19, 1984 in the State of New Jersey and commenced active operations in 1994. The Company develops and is commercializing proprietary systems that generate electricity by harnessing the renewable energy of ocean waves. The Company markets and sells its products in the United States and internationally.

(b) Restatement

Subsequent to the issuance of its consolidated financial statements for the years ended April 30, 2005 and 2004, the Company determined that the presentation in the statements of cash flows of the effect of exchange rate changes on cash balances held in foreign currencies was incorrect. Pursuant to Statement of Financial Accounting Standards (SFAS) No. 95, *Statement of Cash Flows*, the statement of cash flows should report the effect of exchange rate changes on cash balances held in foreign currencies as a separate part of the reconciliation of the change in cash and cash equivalents during the period. Previously, the effect was included in the net cash used in operating activities. In addition, the Company determined that the year ended April 30, 2004 supplemental disclosure of noncash financing activities for the issuance of shares to a consultant was incorrect. As a result, the accompanying consolidated statements of cash flows for the years ended April 30, 2005 and 2004 have been restated from the amounts previously reported. These matters had no impact on the consolidated balance sheet as of April 30, 2005 or the consolidated statements of operations or consolidated statements of stockholders' equity and comprehensive loss for the years ended April 30, 2004 or 2005. The impact of these matters on the previously issued consolidated statements of cash flows is as follows –

	As previously reported	Adjustment	As restated
For the year ended April 30, 2004			
Net cash used in operating activities	$ (829,304)	$ (1,585,345)	$ (2,414,649)
Effect of exchange rate changes on cash and cash equivalents	$ 1,371	$ 1,585,345	$ 1,586,716
Supplemental disclosure of noncash investing and financing activities – issuance of shares to consultant in connection with offering on the AIM market	$ 178,350	$ 199,650	$ 378,000
For the year ended April 30, 2005			
Net cash used in operating activities	$ (366,342)	$ (1,507,145)	$ (1,873,487)
Effect of exchange rate changes on cash and cash equivalents	$ (6,405)	$ 1,507,145	$ 1,500,740

(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.

In addition, the Company evaluates its relationships with other entities to identify whether they are variable interest entities as defined by Financial Accounting Standards Board (FASB) Interpretation No. 46(R), *Consolidation of Variable Interest Entities* (FIN 46R), 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 in accordance with FIN 46R.

(b) Unaudited Financial Information

The accompanying interim consolidated balance sheet at January 31, 2007, the consolidated statements of operations and cash flows for the nine months ended January 31, 2006 and 2007 and the consolidated statement of stockholders' equity and comprehensive loss for the nine months ended January 31, 2007 are unaudited. These unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles. In the opinion of the Company's management, the unaudited interim consolidated financial statements have been prepared on the same basis as the audited financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the Company's consolidated balance sheet at January 31, 2007, and its results of operations and cash flows for the nine months ended January 31, 2006 and 2007. The results of operations for the nine months ended January 31, 2007 are not necessarily indicative of the results to be expected for the year ending April 30, 2007.

(c) Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the recoverability of the carrying amount of property and equipment and patents; valuation allowances for receivables and deferred income tax assets; and percentage of completion of customer contracts for purposes of revenue recognition. Actual results could differ from those estimates.

(d) Revenue Recognition

The Company recognizes revenue on government and commercial contracts under the percentage-of-completion method. The percentage of completion is determined by relating the costs incurred to date to the estimated total costs. The cumulative effects resulting from revisions of estimated total contract costs and revenues are recorded in the period in which the facts requiring revision become known. Upon anticipating a loss on a contract, the Company recognizes the full amount of the anticipated loss in the current period. During the year ended April 30, 2005, the Company recorded a provision of $21,000 related to an anticipated loss on a contract. Reserves related to loss contracts in the amounts of approximately $806,000, $785,000 and $1,270,000 are included in accrued expenses in the accompanying consolidated balance sheets as of April 30, 2005 and 2006 and January 31, 2007, respectively.

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 exceed costs incurred plus applicable profit margin, they are recorded as unearned revenues.

(e) Cash Equivalents

Cash equivalents consist of investments in short-term financial instruments with maturities of three months or less from the date of purchase.

(f) 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. Depreciation and amortization expense was $33,762, $112,070 and $213,374 for the years ended April 30, 2004, 2005 and 2006, respectively, and $155,775 and $184,806 for the nine-month periods ended January 31, 2006 and 2007, respectively.

(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 pound sterling, Euros and Australian dollars. Such certificates of deposit and cash accounts had a balance of approximately $21,788,000, $16,724,000 and $16,968,000 as of April 30, 2005 and 2006 and January 31, 2007, respectively. Such positions may result in realized and unrealized foreign exchange gains or losses from exchange rate fluctuations, which are included in foreign exchange gain (loss) on the accompanying consolidated statements of operations.

(h) Patents

External costs related to the filing of patents, including legal and filing fees, are capitalized. Amortization is calculated using the straight-line method over the life of the patents (17 years). Expenses for the development of technology are charged to operations as incurred. Amortization expense was $8,243, $28,914 and $19,758 for the years ended April 30, 2004, 2005 and 2006, respectively, and $14,702 and $15,039 for the nine months ended January 31, 2006 and 2007, respectively. Amortization expense for the next five fiscal years related to amounts capitalized for patents as of April 30, 2006 is estimated to be approximately $20,000 per year.

(i) Long-Lived Assets

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets, such as property and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, then an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheet. The Company reviewed its long-lived assets for impairment in accordance with SFAS No. 144 and determined that no impairment charge was necessary for the years ended April 30, 2004, 2005 or 2006 or the nine months ended January 31, 2006 or 2007.

(j) 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) and does not believe that it is exposed to any significant risks related to its cash accounts or certificates of deposit.

OCEAN POWER TECHNOLOGIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

The table below shows the percentage of the Company's revenue derived from significant customers for the periods indicated:

Customer	Years Ended April 30, 2004	2005	2006	Nine Months Ended January 31, 2006	2007
US Navy	95%	57%	61%	57%	57%
New Jersey Board of Public Utilities	1%	7%	5%	6%	—
Iberdrola and Total	—	4%	9%	10%	32%
Lockheed Martin	4%	32%	22%	26%	—
US Department of Interior for Department of Homeland Security	—	—	3%	1%	3%
National Institute of Standards and Technologies	—	—	—	—	5%
Australian Greenhouse Office	—	—	—	—	3%

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

(k) 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, were excluded from the diluted loss per share calculation due to their anti-dilutive effect.

In computing diluted net loss per share, 1,032,496, 1,116,281, 1,205,030, and 1,366,574 options to purchase shares of common stock were excluded from the computations for the years ended April 30, 2004, 2005 and 2006, and the nine months ended January 31, 2006 and 2007, respectively.

(l) Stock-Based Compensation

Prior to May 1, 2006, the Company applied the intrinsic-value-based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations including FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation*, to account for its fixed plan stock options. Under this method, compensation expense was recorded only if on the date of grant the market price of the underlying stock exceeded the exercise price. SFAS No. 123, *Accounting for Stock-Based Compensation*, and SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure*, established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As permitted by existing accounting standards, for periods through the year ended April 30, 2006, the Company elected to continue to apply the intrinsic-value-based method of accounting described above, and adopted only the disclosure

OCEAN POWER TECHNOLOGIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

requirements of SFAS No. 123, as amended. The following table illustrates the effect on net loss if the fair-value-based method had been applied to all outstanding and unvested awards in the periods presented:

	Year Ended April 30, 2004	Year Ended April 30, 2005	Year Ended April 30, 2006	Nine Months Ended January 31, 2006
Net loss, as reported	$ (2,849,476)	(428,634)	(7,078,911)	(5,486,277)
Add stock-based employee compensation expense included in reported net loss	171,542	131,500	44,000	—
Deduct total stock-based employee compensation expense determined under fair-value-based method for all awards	(2,310,000)	(1,367,000)	(680,000)	(510,000)
Pro forma net loss	$ (4,987,934)	(1,664,134)	(7,714,911)	(5,996,277)
Basic and diluted net loss per share, as reported	$ (0.71)	(0.08)	(1.37)	(1.06)
Basic and diluted net loss per share, pro forma	$ (1.24)	(0.32)	(1.49)	(1.16)

In accordance with SFAS No. 123, as amended by SFAS No. 148, the fair value of option grants is estimated on the date of grant using the Black-Scholes option pricing model for pro forma disclosure purposes with the following weighted-average assumptions used for grants: dividend yield of 0%; risk-free interest rate of 3.4%, 4%, 4.9% and 5% in the years ended April 30, 2004, 2005 and 2006 and the nine months ended January 31, 2006, respectively; an expected option life of 10 years, 8.9 years, 9.3 years and 9.4 years in the years ended April 30, 2004, 2005 and 2006 and the nine months ended January 31, 2006, respectively; and volatility of 85.6%, 80.8%, 72% and 72% in the years ended April 30, 2004, 2005 and 2006 and the nine months ended January 31, 2006, respectively.

On May 1, 2006, the Company adopted the provisions of SFAS No. 123 (revised 2004), *Share-Based Payment* (SFAS No. 123R), which requires that the costs resulting from all share-based payment transactions be recognized in the consolidated financial statements at their fair values. The Company adopted SFAS No. 123R using the modified prospective application method under which the provisions of SFAS No. 123R apply to new awards and to awards modified, repurchased, or canceled after the adoption date. Additionally, compensation cost for the portion of the awards for which the requisite service had not been rendered that were outstanding as of May 1, 2006 will be recognized in the consolidated statements of operations over the remaining service period after such date based on the award’s original estimate of fair value. The aggregate share-based compensation expense recorded in the consolidated statements of operations for the nine months ended January 31, 2007 under SFAS No. 123R was approximately $882,000. The Company would have recorded no share-based compensation expense for the nine months ended January 31, 2007 if it had continued to account for share-based compensation under APB Opinion No. 25. For the nine months ended January 31, 2007, this additional share-based compensation increased the net loss by approximately $882,000 and increased basic and diluted loss per share by approximately $0.17.

Valuation Assumptions for Options Granted During the Nine Months Ended January 31, 2007

The fair value of each stock option granted during the nine months ended January 31, 2007 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 U.S. 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 by the "simplified" method as prescribed by the Securities and Exchange Commission's Staff Accounting Bulletin No. 107, *Share-Based Payment.* Expected volatility was based on historical volatility for a peer group of companies for a period equal to the stock option's expected life, and calculated on a daily basis.

Risk-free interest rate	5%
Expected dividend yield	0.0%
Expected life	5.5 years
Expected volatility	72.0%

The above assumptions were used to determine the weighted average per share fair value of $8.80 for stock options granted during the nine months ended January 31, 2007.

(m) Accounting for Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. 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 income in the period that includes the enactment date.

(n) Accumulated Other Comprehensive Loss

The functional currency for the Company's foreign operations is the applicable local currency. The translation from the applicable foreign currencies to U.S. dollars is performed for balance sheet accounts using the exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate during the period. The unrealized gains or losses resulting from such translation are included in accumulated other comprehensive loss within stockholders' equity.

(o) Recent Accounting Pronouncements

In June 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*, which requires entities that voluntarily make a change in accounting principle to apply that change retrospectively to prior periods' financial statements, unless this would be impracticable. SFAS No. 154 supersedes APB Opinion No. 20, *Accounting Changes*, which previously required that most voluntary changes in accounting principles be recognized by including the cumulative effect of changing to the new accounting principle in the current period's net income or loss. SFAS No. 154 also makes a distinction between "retrospective application" of an accounting principle and the "restatement" of financial statements to reflect the correction of an error. Another significant change in practice under SFAS No. 154 will be that if an entity changes its method of depreciation, amortization or depletion of long-lived, non-financial assets, the change must be accounted for as a change in accounting estimate effected by a change in accounting principle. Under APB Opinion No. 20, such a change would have been reported as a change in accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Adoption is not expected to have a material effect on the Company's financial position or results of operations.

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, or FIN 48. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition and measurement method for tax positions taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transitions. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently analyzing the effects of FIN 48, but does not expect FIN 48 to have a material effect on its financial position or results of operations.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, or SAB 108. SAB 108 provides guidance on how prior year misstatements should be taken into consideration when quantifying misstatements in current year financial statements for purposes of determining whether the current year's financial statements are materially misstated. SAB 108 becomes effective during the Company's 2007 fiscal year. The Company does not expect the adoption of SAB 108 to have a material impact on its consolidated financial statements.

(p) Reclassifications

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the current year presentation.

(3) Certificates of Deposit

Certificates of deposit with maturities in excess of 90 days from purchase are summarized as follows:

	Nominal Face Amount	Currency	April 30, 2005	April 30, 2006	January 31, 2007
4.75% due May 26, 2005	5,868,435	GBP	$ 11,194,039	—	—
2.08% due July 11, 2005	469,789	USD	469,789	—	—
2.90% due July 18, 2005	8,038,548	USD	8,038,548	—	—
4.73% due July 18, 2005	2,883,348	GBP	5,499,986	—	—
3.92% due August 11, 2006	482,156	USD	—	482,156	—
5.43% due April 12, 2007	3,583,598	GBP	—	—	7,034,603
			$ 25,202,362	482,156	7,034,603

(4) Property and Equipment

The components of property and equipment are as follows:

	April 30, 2005	April 30, 2006	January 31, 2007
Computers and software	$ 260,698	402,037	487,061
Equipment	335,238	452,448	435,424
Office furniture and equipment	206,766	233,178	239,330
Leasehold improvements	39,358	59,358	59,358
	842,060	1,147,021	1,221,173
Less accumulated depreciation	(414,447)	(602,736)	(781,742)
	$ 427,613	544,285	439,431

OCEAN POWER TECHNOLOGIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(5) Accrued Expenses

Included in accrued expenses at April 30, 2005 and 2006 and January 31, 2007 were contract reserves of approximately $806,000, $785,000 and $1,270,000, respectively, accrued bonuses of approximately $308,000, $353,000 and $176,000, respectively, and accrued vacation expense of approximately $71,000, $84,000 and $62,000, respectively.

(6) Related-Party Transactions

The Company is obligated to pay royalties to G.W. Taylor, a founding stockholder of the Company; M.Y. Epstein; and the estate of J.R. Burns (stockholders of the Company) related to U.S. patent 4404490 entitled, “Power Generation from Waves Near the Surface of Bodies of Water.” Royalty payments are limited to $925,000 in the aggregate, based on revenues related to certain piezoelectric-technology, if any, on the basis of 6% of future licenses sold and 4% of future product sales and development contracts. Through January 31, 2007, approximately $200,000 of royalties had been earned. During the years ended April 30, 2004, 2005 and 2006 and the nine-month periods ended January 31, 2006 and 2007, no royalties were earned pursuant to these agreements, and no future royalties are expected to be earned. As of April 30, 2005 and 2006 and January 31, 2007, approximately $26,000 was included in other current liabilities related to these agreements.

In August 1999, the Company entered into a consulting agreement with an individual for marketing services at a rate of $600 per day of services provided. The individual became a member of the board of directors in June 2006. Under this consulting agreement, the Company expensed approximately $47,000, $51,000 and $53,000 during the years ended April 30, 2004, 2005 and 2006, respectively, and $40,000 in each of the nine-month periods ended January 31, 2006 and 2007.

Also see Note 8 for an additional related-party transaction.

(7) Debt

In the year ended April 30, 2000, the Company received an award of $250,000 from the State of New Jersey Commission on Science and Technology for the development of a wave power system that was deployed off the coast of New Jersey. Under the terms of this award, the Company must repay the amount funded, without interest, by January 15, 2012. The amounts to be repaid each year are determined as a percentage of revenues (as defined in the loan agreement) the Company receives that year from its customer contracts that meet criteria specified in the loan agreement, with any remaining amount due on January 15, 2012. Based upon the terms of the award, the Company has repaid approximately $4,000 and is required to repay an additional approximately $12,000 as of April 30, 2006. The total repayment amount of approximately $16,000 reduced the long-term debt balance, and the current payment required was recorded in accrued expenses in the accompanying consolidated balance sheet as of April 30, 2006.

Conversion of Debt and Preferred Stock

On October 14, 1999, a group comprised of three members of the Company’s senior management acting as individuals (the Group) purchased from AMP Incorporated (AMP) the 3,211,100 shares of Series A Preferred Stock owned by AMP, and a convertible promissory note issued by the Company to AMP in 1996. The convertible promissory note had a face amount of $1,684,000 plus unpaid interest of approximately $536,000. On October 14, 1999, the Group converted the Series A Preferred Stock, plus the promissory note and accrued interest, into a total of 460,705 shares of the Company’s common stock in accordance with the terms of those instruments. Also on October 14, 1999, AMP agreed to release all liens on the assets of the Company and to convey to the Company the remaining $320,000 of principal of the convertible promissory note. In consideration, the Company agreed to pay a commission of 3% on sales by the Company through October 14, 2009 of certain piezoelectric products utilizing certain circuitry, the development of which was funded, in part, by AMP’s previous investment in the Company. In addition, the Company agreed to make additional payments to AMP, subject to certain limitations, if prior to October 14, 2004 the Company entered into any of the following transactions: liquidation or dissolution, sale of all or substantially all of its assets, an initial public offering or a merger or other business combination. The maximum total potential payments under all these circumstances, including commissions, was $3,500,000. These future payments were contingent and were not estimable at the time of the agreement.

Following its offering and listing on the AIM market of the London Stock Exchange on October 31, 2003, the Company completed its payment obligations under these agreements. A total of $3,500,000 was paid to AMP, now Tyco Electronics, through the issuance of 70,588 shares of the Company's common stock, valued at $1,500,000, and payment of $2,000,000 in cash. Such amounts are included in other income (expense) in the consolidated statement of operations for the year ended April 30, 2004.

(8) Deferred Credits

During the year ended April 30, 2003, the Company entered into an agreement under which the Company received a payment of $75,000, which was included in deferred credits until the earning process was completed. During the year ended April 30, 2006, the earning process was completed, and the nonrefundable payment of $75,000 has been included in other income in the accompanying consolidated statement of operations for the year ended April 30, 2006.

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. This amount has been recorded in deferred credits in the accompanying consolidated balance sheets as of April 30, 2005 and 2006 and October 31, 2006. If by December 31, 2012 the Company does not become entitled under applicable laws to the full amount of emission credits covered by the option, the Company is 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. If the Company receives emission credits under applicable laws and fails to sell to the investor the credits up to the full amount of emission credits covered by the option, the investor is 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).

(9) Common Stock

On October 31, 2003, the Company completed an offering on the AIM market of the London Stock Exchange by issuing 2,000,000 shares of its common stock for a purchase price of 12.50 pound sterling, or $21.30, per share (the Offering), resulting in net proceeds to the Company of $38,307,192.

During the year ended April 30, 2004, the Company issued 4,979 shares of common stock to vendors for services rendered, and recorded a charge of $92,350 in the accompanying consolidated statement of operations, based on the estimated fair market value of the shares. In addition, the Company issued 17,817 shares of common stock to a financial consultant for services rendered in connection with the Offering, and recorded a charge of $378,000 to additional paid-in capital related to the issuance of those shares.

During the year ended April 30, 2003, the Company sold 3,750 shares of common stock to an investor at a price of $13.30 per share, which was subject to adjustment based on the pricing of future financings, if any, during calendar year 2003. Based on the price at which the Company's common shares were sold at the time of the Offering, this adjustment, in the form of a reduction of 1,397 shares issued, was resolved and recorded in the year ended April 30, 2005.

During the year ended April 30, 1998, under an agreement with a group of investors, the Company received $50,000 as an advance payment related to a potential future transaction, which was recorded in accrued expenses. During the year ended April 30, 2006, the Company repaid this amount by issuing 2,732 shares of common stock, in accordance with the terms of the agreement.

(10) Preferred Stock

In September 2003, and in connection with the Offering, the Company's stockholders authorized 5,000,000 shares of undesignated preferred stock with a par value of $0.001 per share. At April 30, 2005 and 2006 and January 31, 2007, no shares of preferred stock had been issued.

(11) Stock Options

Prior to August 2001, the Company maintained qualified and nonqualified stock option plans. The Company has reserved 510,155 shares of common stock for issuance under these plans. There are no options available for future grant under these plans as of April 30, 2006.

In August 2001, the Company approved the 2001 Stock Plan, which provides for the grant of incentive stock options and nonqualified stock options. A total of 1,000,000 shares are authorized for issuance under the 2001 Stock Plan. As of April 30, 2006, the Company had issued 694,881 shares and had 301,869 shares of common stock reserved for issuance under the 2001 Stock Plan. Members of the board of directors who are not full-time employees receive an annual option grant to acquire 2,500 shares. The options are granted after the annual meeting of shareholders for the year then ended. Vesting of stock options is determined by the board of directors. The contractual term of these stock options is five years.

Transactions under these option plans are as follows:

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Fair Value
Outstanding May 1, 2003 (exercisable 687,150)	841,893	$ 12.50	
Forfeited/Expired	(13,600)	18.70	
Exercised	—	—	
Granted	204,203	17.40	13.60
Outstanding April 30, 2004 (exercisable 880,994)	1,032,496	13.90	
Forfeited/Expired	(46,424)	15.00	
Exercised	(36,116)	6.47	
Granted	166,325	16.49	13.92
Outstanding April 30, 2005 (exercisable 932,138)	1,116,281	14.50	
Forfeited/Expired	(74,060)	16.80	
Exercised	(17,166)	7.15	
Granted	179,975	12.91	10.20
Outstanding April 30, 2006 (exercisable 988,366)	1,205,030	14.19	
Forfeited/Expired	(28,476)	14.20	
Exercised	(6,100)	8.87	
Granted	196,120	13.75	8.80
Outstanding January 31, 2007 (exercisable 1,026,816)	1,366,574	14.25	

The total intrinsic value of options exercised during the nine months ended January 31, 2007 was approximately $47,000. The total intrinsic value of outstanding and exercisable options as of January 31, 2007 was approximately $4,700,000 and $3,600,000, respectively. As of January 31, 2007, approximately 306,000 options were expected to vest, which had total intrinsic value of approximately $1,000,000. As of January 31, 2007, there was approximately $2,600,000 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 2.9 years. The Company normally issues new shares to satisfy option exercises under these plans.

The following table summarizes information about stock options outstanding at April 30, 2006:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$2.70 to $7.70	321,334	4.3	$ 6.89	311,580	$ 6.86
$8.50 to $16.70	327,161	6.5	13.32	180,157	13.91
$17.00 to $22.40	556,535	5.1	18.92	496,629	19.04
	1,205,030			988,366	

Certain stock options granted during the years ended April 30, 2005 and 2006 were granted to employees with exercise prices less than the fair value of the underlying common stock on the date of grant. Additionally, certain options were granted to consultants. The Company has charged compensation expense of $311,024, $184,674 and $129,139 related to these option grants, which has been included in selling, general, and administrative costs in the accompanying consolidated statements of operations for the years ended April 30, 2004, 2005 and 2006, respectively.

OCEAN POWER TECHNOLOGIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(12) Income Taxes

The tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets and deferred tax liabilities are presented below.

	April 30, 2005	April 30, 2006	January 31, 2007
Deferred tax assets:			
Federal net operating loss carryforwards	$ 4,588,000	6,638,000	7,544,000
Foreign net operating loss carryforwards	915,000	1,210,000	1,552,000
Research and development tax credits	295,000	505,000	690,000
Stock compensation	1,426,000	1,478,000	1,722,000
Unrealized foreign exchange loss	103,000	—	16,000
Accrued expenses	322,000	314,000	552,000
Gross deferred tax assets	7,649,000	10,145,000	12,076,000
Deferred tax liabilities:			
Property and equipment	(31,000)	(31,000)	(17,000)
Unrealized foreign exchange gain	—	(60,000)	—
Gross deferred tax liabilities	(31,000)	(91,000)	(17,000)
Deferred tax assets valuation allowance	(7,618,000)	(10,054,000)	(12,059,000)
Net deferred tax assets	$ —	—	—

Income tax benefit was $118,119, $29,335 and $143,963 for the years ended April 30, 2004, 2005 and 2006, respectively. The effective income tax rate differed from the percentages computed by applying the U.S. Federal income tax rate of 34% to loss before income taxes as a result of the following:

	Years Ended April 30, 2004	2005	2006
Computed "expected" tax benefit	(34)%	(34)%	(34)%
Increase (reduction) in income taxes resulting from:			
State income taxes, net of federal benefit	(6)	(6)	(6)
Federal research and development tax credits	—	(6)	(2)
Sale of state loss carryforwards and tax credits	(4)	(6)	(2)
Non-deductible expenses	1	9	1
Increase in valuation allowance	39	37	41
	(4)%	(6)%	(2)%

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. As of April 30, 2005 and 2006 and January 31, 2007, based upon the level of historical taxable losses, valuation allowances of $7,618,000, $10,054,000 and $12,059,000, respectively, were recorded in accordance with the provisions of SFAS No. 109.

As of April 30, 2006, the Company had net operating loss carryforwards for Federal income tax purposes of approximately $19,500,000, which begin to expire in 2009. The Company also had federal research and development credit carryforwards of approximately $505,000, which begin to expire in 2012. The Tax Reform Act of 1986 contains provisions that limit the utilization of net operating loss and tax credit carryforwards if there has been an ownership change, as defined. Such an ownership change, as described in Section 382 of the Internal Revenue Code, may limit the Company's ability to utilize its net operating loss and tax credit carryforwards on a yearly basis. Foreign loss before income taxes was $249,329, $527,974 and $982,934 for the years ended April 30, 2004, 2005 and 2006, respectively. As of April 30, 2006, foreign net operating loss carryforwards were approximately $4,000,000. These losses can be carried forward indefinitely, but the Company's ability to utilize these carryforwards may be limited in the event of an ownership change.

During the years ended April 30, 2004, 2005 and 2006, the Company sold a portion of its New Jersey state net operating loss carryforwards and research and development credits to a company for net proceeds of $118,119, $29,335 and $143,963, respectively, resulting in the recognition of income tax benefits in the accompanying consolidated statements of operations.

(13) Commitments and Contingencies

(a) Operating Lease Commitments

The Company leases office, laboratory and manufacturing space in Pennington, New Jersey and office space in Warwick, United Kingdom under operating leases that expire on various dates through 2013. Rent expense under operating leases was $136,450, $154,731 and $295,089 for the years ended April 30, 2004, 2005 and 2006, respectively, and $213,690 and $251,475 for the nine-month periods ended January 31, 2006 and 2007, respectively. Future minimum lease payments under operating leases as of April 30, 2006 are:

Year ending April 30:		
2007	$	233,094
2008		228,722
2009		206,859
2010		206,859
2011		206,859
Thereafter		413,719
	$	1,496,112

(b) Litigation

The Company is involved from time to time in certain legal actions arising in the ordinary course of business. Management believes that the outcome of such actions will not have a material adverse effect on the Company's financial position or results of operations.

(14) Reverse Stock Split

On December 7, 2006, the board of directors approved and recommended to shareholders and on January 12, 2007, the shareholders of the Company approved a one-for-ten reverse stock split, to be effective prior to the Company's reincorporation in Delaware. All share data shown in the accompanying consolidated financial statements have been retroactively restated to reflect the reverse stock split and the reincorporation.

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O. P. T.
OCEAN POWER TECHNOLOGIES, INC

Through and including , 2007 (25 days after the date of this prospectus), all dealers that buy, sell or trade our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments and subscriptions.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. ***Other Expenses of Issuance and Distribution***

The following table indicates the expenses to be incurred in connection with the offering described in this Registration Statement, other than underwriting discounts and commissions, all of which will be paid by the Registrant. All amounts are estimated except the SEC registration fee and the National Association of Securities Dealers Inc. filing fee.

	Amount
Securities and Exchange Commission registration fee	$ 11,500
National Association of Securities Dealers Inc. filing fee	13,150
Nasdaq Stock Market listing fee	100,000
Accountants' fees and expenses	525,000
Legal fees and expenses	2,000,000
Blue Sky fees and expenses	5,000
Transfer Agent's fees and expenses	30,000
Printing and engraving expenses	200,000
Miscellaneous	10,000
Total expenses	$ 2,894,650

Item 14. ***Indemnification of Directors and Officers***

Section 102 of the General Corporation Law of the State of Delaware permits a corporation to eliminate the personal liability of directors of a corporation to the corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director, except where the director breached his duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit. The Registrant's certificate of incorporation provides that no director of the Registrant shall be personally liable to it or its stockholders for monetary damages for any breach of fiduciary duty as director, notwithstanding any provision of law imposing such liability, except to the extent that the General Corporation Law of the State of Delaware prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty.

Section 145 of the General Corporation Law of the State of Delaware provides that a corporation has the power to indemnify a director, officer, employee, or agent of the corporation and certain other persons serving at the request of the corporation in related capacities against expenses (including attorneys' fees), judgments, fines and amounts paid in settlements actually and reasonably incurred by the person in connection with an action, suit or proceeding to which he is or is threatened to be made a party by reason of such position, if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, in any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful, except that, in the case of actions brought by or in the right of the corporation, no indemnification shall be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or other adjudicating court determines that, despite the adjudication of liability but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

The Registrant's certificate of incorporation provides that the Registrant will indemnify each person who was or is a party or threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than an action by or in the right of the Registrant) by reason of the fact that he or she is or was, or has agreed to become, a director or officer of the Registrant, or is or was serving, or has agreed to serve, at the Registrant's request as a director, officer, partner, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (all such persons being referred to as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding and any appeal therefrom, if such Indemnitee acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the Registrant's best interests, and, with respect to any criminal action or proceeding, he or she had no reasonable cause to believe his or her conduct was unlawful. The Registrant's certificate of incorporation provides that the Registrant will indemnify any Indemnitee who was or is a party to an action or suit by or in the right of the Registrant to procure a judgment in the Registrant's favor by reason of the fact that the Indemnitee is or was, or has agreed to become, a director or officer of the Registrant, or is or was serving, or has agreed to serve, at the Registrant's request as a director, officer, partner, employee or trustee or, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) and, to the extent permitted by law, amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding, and any appeal therefrom, if the Indemnitee acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Registrant, except that no indemnification shall be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the Registrant, unless a court determines that, despite such adjudication but in view of all of the circumstances, he or she is entitled to indemnification of such expenses. Notwithstanding the foregoing, to the extent that any Indemnitee has been successful, on the merits or otherwise, he or she will be indemnified by the Registrant against all expenses (including attorneys' fees) actually and reasonably incurred in connection therewith. Expenses must be advanced to an Indemnitee under certain circumstances.

The Registrant maintains a general liability insurance policy that covers certain liabilities of the Registrant's directors and officers arising out of claims based on acts or omissions in their capacities as directors or officers.

In any underwriting agreement the Registrant enters into in connection with the sale of common stock being registered hereby, the underwriters will agree to indemnify, under certain conditions, the Registrant, its directors, its officers and persons who control the Registrant within the meaning of the Securities Act of 1933, as amended, against certain liabilities.

Item 15. ***Recent Sales of Unregistered Securities***

Set forth below is information regarding shares of common stock issued, and options granted, by the Registrant within the past three years. Also included is the consideration, if any, received by the Registrant for such shares and options and information relating to the section of the Securities Act, or rule of the SEC, under which exemption from registration was claimed. The share numbers below reflect the one-for-ten reverse stock split of the Registrant's common stock, which will become effective prior to this offering.

1. From the period beginning January 31, 2004 through March 31, 2007, the Registrant granted stock options under its stock option plans for an aggregate of 499,343 shares of common stock (net of exercises, expirations and cancellations) at exercise prices ranging from $11.90 to $19.60 per share. Options to purchase 44,383 shares of common stock granted under the Registrant's stock option plans have been exercised for an aggregate purchase price of $0.4 million.

2. From the period beginning January 31, 2004 through March 31, 2007, the Registrant did not grant stock options outside its stock option plans. Options to purchase 15,000 shares of common stock have been exercised for an aggregate purchase of $40,000.

3. During the year ended April 30, 2004, the Registrant issued 4,979 shares of common stock to vendors for services rendered. In addition, the Registrant issued 17,817 shares of common stock to a financial consultant for services rendered in connection with its offering on the AIM market of the London Stock Exchange.

No general solicitation was made in the United States by either the Registrant or any person acting on the Registrant's behalf; the securities sold are subject to transfer restrictions; and certificates for the shares contain appropriate legends stating that such securities have not been registered under the Securities Act and may not be offered or sold absent registration or pursuant to an exemption therefrom. The securities described in paragraphs 1 and 2 of Item 15 were issued in transactions that were exempt from registration pursuant to Section 4(2) of the Securities Act or Regulation S promulgated thereunder with respect to the securities offered and sold outside the United States to investors who were neither citizens nor residents of the United States.

The issuances of stock options and the shares of common stock issuable upon the exercise of the options as described in paragraphs 2 and 3 of Item 15 were issued pursuant to written compensatory plans or arrangements with the Registrant's employees, directors and consultants, in reliance on the exemption provided by Section 3(b) of the Securities Act and Rule 701 promulgated thereunder. All recipients either received adequate information about the Registrant or had access, through employment or other relationships, to such information.

Item 16. ***Exhibits***

The exhibits to the registration statement are listed in the Exhibit Index to this registration statement and are incorporated by reference herein.

Item 17. ***Undertakings***

(a) The undersigned Registrant hereby undertakes to provide to the underwriters, at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of the registration statement as of the time it was declared effective.

(2) For purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) For the purpose of determining liability under the Securities Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made

in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(4) For the purpose of determining liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities, in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Town of Pennington, New Jersey on the 9th day of April, 2007.

OCEAN POWER TECHNOLOGIES, INC.

By: /s/ GEORGE W. TAYLOR
Dr. George W. Taylor
Chief Executive Officer

Pursuant to the requirements of the Securities Act, this Amendment to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ GEORGE W. TAYLOR George W. Taylor	Director, Chief Executive Officer (Principal Executive Officer)	April 9, 2007
/s/ CHARLES F. DUNLEAVY Charles F. Dunleavy	Director, Chief Financial Officer, Senior Vice President, Treasurer and Secretary (Principal Financial Officer and Principal Accounting Officer)	April 9, 2007
* Eric A. Ash	Director	April 9, 2007
* Thomas J. Meaney	Director	April 9, 2007
* Seymour S. Preston III	Director	April 9, 2007

*By: /s/ GEORGE W. TAYLOR
George W. Taylor
Attorney-in-fact

EXHIBIT INDEX

Exhibit Number	Description
1.1	Form of Underwriting Agreement
3.1*	Certificate of Incorporation of the Registrant, as amended
3.2*	Form of Restated Certificate of Incorporation of the Registrant to be effective prior to the offering
3.3*	Bylaws of the Registrant
3.4*	Form of Amended and Restated Bylaws of the Registrant, to be effective prior to the closing of the offering
4.1*	Specimen certificate of common stock
5.1**	Opinion of Wilmer Cutler Pickering Hale and Dorr LLP
10.1+	Engineering, Procurement and Construction of a Wave Energy Power Plant at ‘‘Punta del Pescador” (Santoña, Spain), dated July 27, 2006, between Iberdrola Energias Marinas de Cantabria, S.A. and Ocean Powers Technologies Limited
10.2+	Contract Number N00014-05-C-0384, dated September 20, 2005, between the Office of Naval Research, U.S. Navy and Ocean Power Technologies, Inc., as amended by the Amendment of Solicitation/ Modification of Contract dated March 22, 2007.
10.3+	Contract Number N00014-02-C-0053, dated February 8, 2002, between the Office of Naval Research, U.S. Navy and Ocean Power Technologies Inc., as modified.
10.4*	Option Agreement for Purchase of Emissions Credits, dated November 24, 2000 between Ocean Power Technologies, Inc. and its affiliates and Woodside Sustainable Energy Solutions Pty. Ltd.
10.5*	1994 Stock Option Plan
10.6*	Incentive Stock Option Plan
10.7*	2001 Stock Plan
10.8*	2006 Stock Incentive Plan
10.9*	Amended and Restated Voting and Right of First Refusal Agreement, dated April 18, 2005, between Ocean Power Technologies, Inc., George W. Taylor and JoAnne E. Burns
10.10*	Agreement to Refinance, dated November 14, 1993 between Joseph R. Burns, Michael Y. Epstein, George W. Taylor and Ocean Powers Technologies, Inc.
10.11*	Employment Agreement, dated October 23, 2003, between Charles F. Dunleavy and Ocean Power Technologies, Inc.
10.12*	Employment Agreement, dated October 23, 2003, between George W. Taylor and Ocean Power Technologies, Inc.
10.13*	Consultant Agreement, dated August 1, 1999, between Thomas J. Meaney and Ocean Power Technologies, Inc.
10.14*	Employment Agreement, dated September 9, 2004, between Mark R. Draper and Ocean Power Technologies Ltd.
10.15*	Employment Agreement, dated September 30, 2005, between John A. Baylouny and Ocean Power Technologies, Inc.
10.16*	Lease Agreement, dated August 30, 2005 between Ocean Power Technologies, Inc. and Reed Road Industrial Park LLC #1, as amended on January 27, 2006.
10.17*	Lease, dated January 15, 2007, between University of Warwick Science Park Innovation Centre Limited and Ocean Power Technologies Ltd.
10.18+	Agreement for Renewable Energy Economic Development Grants, dated November 3, 2003, between State of New Jersey Board of Public Utilities and Ocean Power Technologies, Inc.
10.19+	Contract for the Development and Application of a Sea Wave Energy Generation System in France, dated as of June 17, 2005, between Iberdrola Energias Renovables II, S.A. Sociedad Unipersonal, Total Energie Development SA, Ocean Power Technologies Ltd. and Ocean Power Technologies, Inc.
10.20+	Contract Number DM259735, dated September 17, 2005 between Lockheed Martin Corporation-Maritime Systems and Sensors (MS2) and Ocean Power Technologies, Inc., as modified
10.21	Marketing Cooperation Agreement, dated September 9, 2006, between Ocean Power Technologies, Inc. and Lockheed Martin Corporation through its Maritime Systems and Sensors business unit.

Exhibit Number	Description
16.1*	Letter from Deloitte and Touche LLP
21.1*	Subsidiaries of the Registrant
23.1	Consent of KPMG LLP
23.2	Consent of Deloitte and Touche LLP
23.3**	Consent of Wilmer Cutler Pickering Hale and Dorr LLP (included in Exhibit 5.1).
24.1*	Powers of Attorney (included on signature page).

* Previously filed

** To be filed by amendment.

\+ Confidential treatment requested as to certain portions, which portions have been omitted and filed separately with the Securities and Exchange Commission.

Exhibit 1.1

OCEAN POWER TECHNOLOGIES, INC.

___ Shares

Common Stock
($0.001 par value per Share)

FORM OF
UNDERWRITING AGREEMENT

_____, 2007

FORM OF
UNDERWRITING AGREEMENT

_____, 2007

UBS Securities LLC
Banc of America Securities LLC
Bear, Stearns & Co. Inc.
First Albany Capital Inc.
as Managing Underwriters

c/o UBS Securities LLC
299 Park Avenue
New York, New York 10171-0026

Banc of America Securities LLC
9 W. 57th Street
New York, New York 10019

Bear, Stearns & Co. Inc.
383 Madison Avenue
New York, New York 10179

Ladies and Gentlemen:

OCEAN POWER TECHNOLOGIES, INC. (the "Company") proposes to issue and sell to the underwriters named in Schedule A annexed hereto (the "Underwriters"), for whom UBS Securities LLC, Banc of America Securities LLC and Bear, Stearns & Co. Inc. are acting as representatives (collectively, the "Representatives"), an aggregate of __ shares (the "Firm Shares") of common stock, $0.001 par value per share (the "Common Stock"), of the Company. In addition, solely for the purpose of covering over-allotments, the Company and each stockholder (each, a "Selling Stockholder") identified as a Selling Stockholder in Schedule C annexed hereto, propose to grant to the Underwriters the option to purchase up to __ shares of Common Stock (the "Additional Shares"), of which up to __ Additional Shares are to be issued and sold by the Company and up to __ Additional Shares are to be sold by the Selling Stockholders. The Firm Shares and the Additional Shares are hereinafter collectively sometimes referred to as the "Shares." The Shares are described in the Prospectus which is referred to below.

On or prior to the first time of purchase (as hereinafter defined), pursuant to an Agreement and Plan of Merger dated ______, 2007, the Company will have reincorporated under the laws of the State of Delaware, as described in the Preliminary Prospectus and the Prospectus (as hereinafter defined) under the caption "Description of Capital Stock - General" (the "Reincorporation"). As used in this Agreement, references to the "Company" shall at all times prior to the consummation of the Reincorporation be deemed to be references to Ocean Power Technologies, Inc., a New Jersey corporation, and shall at all times from and after the consummation of the Reincorporation be deemed to be references to Ocean Power Technologies, Inc., a Delaware corporation.

The Company has prepared and filed, in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations thereunder (collectively, the "Act"), with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-1 (File No. 333-138595) under the Act, including a prospectus, relating to the Shares.

Except where the context otherwise requires, "Registration Statement," as used herein, means the registration statement, as amended at the time of such registration statement's effectiveness for purposes of Section 11 of the Act, as such section applies to the respective Underwriters (the "Effective Time"), including (i) all documents filed as a part thereof, (ii) any information contained in a prospectus filed with the Commission pursuant to Rule 424(b) under the Act, and deemed, pursuant to Rule 430A or Rule 430C under the Act, to be part of the registration statement at the Effective Time, and (iii) any registration statement filed to register the offer and sale of Shares pursuant to Rule 462(b) under the Act.

The Company has furnished to you, for use by the Underwriters and by dealers in connection with the offering of the Shares, copies of one or more preliminary prospectuses relating to the Shares. Except where the context otherwise requires, "Preliminary Prospectus," as used herein, means each such preliminary prospectus, in the form so furnished.

Except where the context otherwise requires, "Prospectus," as used herein, means the prospectus, relating to the Shares, filed by the Company with the Commission pursuant to Rule 424(b) under the Act on or before the second business day after the date hereof (or such earlier time as may be required under the Act), or, if no such filing is required, the final prospectus included in the Registration Statement at the time it became effective under the Act, in each case in the form furnished by the Company to you for use by the Underwriters and by dealers in connection with the offering of the Shares.

"Permitted Free Writing Prospectuses," as used herein, means the documents listed in Schedule B annexed hereto and each "road show" (as defined in Rule 433 under the Act), if any, related to the offering of the Shares contemplated hereby that is a "written communication" (as defined in Rule 405 under the Act) (each such road show, an "Electronic Road Show"). The Underwriters have not offered or sold and will not offer or sell, without the Company's consent, any Shares by means of any "free writing prospectus" (as defined in Rule 405 under the Act) that is required to be filed by the Underwriters with the Commission pursuant to Rule 433 under the Act, other than a Permitted Free Writing Prospectus.

"Disclosure Package," as used herein, means any Preliminary Prospectus together with any combination of one or more of the Permitted Free Writing Prospectuses, if any.

As used in this Agreement, "business day" shall mean a day on which the New York Stock Exchange (the "NYSE") is open for trading. The terms "herein," "hereof," "hereto," "hereinafter" and similar terms, as used in this Agreement, shall in each case refer to this Agreement as a whole and not to any particular section, paragraph, sentence or other subdivision of this Agreement. The term "or," as used herein, is not exclusive.

The Company has prepared and filed, in accordance with Section 12 of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (collectively, the "Exchange Act"), a registration statement (as amended, the "Exchange Act Registration Statement") on Form 8-A (File No. _____) under the Exchange Act to register, under Section 12(b) of the Exchange Act, the class of securities consisting of the Common Stock.

Prior to the date of this Agreement, each Selling Stockholder has deposited such Selling Stockholder's Additional Shares under a custody agreement in a form previously approved by the Representatives (such Selling Stockholder's "Custody Agreement") with Computershare Limited, as custodian (the "Custodian"). Pursuant to a power of attorney granted by each Selling Stockholder in a form previously approved by the Representatives (such Selling Stockholder's "Power of Attorney"), George Taylor and Charles Dunleavy shall act as representatives of the Selling Stockholders. Each of the foregoing representatives (collectively, the "Representatives of the Selling Stockholders") is authorized, on behalf of each Selling Stockholder, among other things, to execute any documents necessary or desirable in connection with the sale of the Additional Shares to be sold hereunder by such Selling Stockholder, to make delivery of such Additional Shares, to receive the proceeds of the sale of such Additional Shares, to give receipts for such proceeds, to pay therefrom the expenses to be borne by such Selling Stockholder in connection with the sale and public offering of the Additional Shares, to distribute the balance of such proceeds to such Selling Stockholder, to receive notices on behalf of such Selling Stockholder, to instruct the Custodian under the Custody Agreements, and to take such other action as may be necessary or desirable in connection with the transactions contemplated by this Agreement. Anything in this Agreement to the contrary notwithstanding, the Selling Stockholders acknowledge that the Underwriters are not under any obligation to exercise their Over-Allotment Option (as defined below) or purchase any Additional Shares.

The Company, each of the Selling Stockholders and the Underwriters agree as follows:

1. Sale and Purchase. Upon the basis of the representations and warranties and subject to the terms and conditions herein set forth, the Company agrees to issue and sell to the respective Underwriters, and each of the Underwriters, severally and not jointly, agrees to purchase from the Company, the respective number of Firm Shares set forth opposite the name of such Underwriter in Schedule A annexed hereto, subject to adjustment in accordance with Section 11 hereof in each case, at a purchase price of $__ per Share. The Company is advised by you that the Underwriters intend (i) to make a public offering of their respective portions of the Firm Shares as soon after the effective date of the Registration Statement as in your judgment is advisable and (ii) initially to offer the Firm Shares upon the terms set forth in the Prospectus. You may from time to time increase or decrease the public offering price after the initial public offering to such extent as you may determine.

In addition, the Company and the Selling Stockholders, in each case severally and not jointly, hereby grant to the several Underwriters the option (the "Over-Allotment Option") to purchase, and upon the basis of the representations and warranties and subject to the terms and conditions herein set forth, the Underwriters shall have the right to purchase, severally and not jointly, from the Company and the Selling Stockholders, ratably in accordance with the number of Firm Shares to be purchased by each of them, all or a portion of the Additional Shares as may be necessary to cover over-allotments made in connection with the offering of the Firm Shares, at the same purchase price per share to be paid by the Underwriters to the Company for the Firm Shares. The Over-Allotment Option may be exercised by the Representatives on behalf of the several Underwriters at any time and from time to time on or before the thirtieth day following the date of the Prospectus, by written notice to the Company and the Selling Stockholders. Such notice shall set forth the aggregate number of Additional Shares as to which the Over-Allotment Option is being exercised and the date and time when the Additional Shares are to be delivered (any such date and time being herein referred to as an "additional time of purchase"); provided, however, that no additional time of purchase shall be earlier than the "time of purchase" (as defined below), nor earlier than the second business day after the date on which the Over-Allotment Option shall have been exercised, nor later than the tenth business day after the date on which the Over-Allotment Option shall have been exercised; and provided, further, that such additional time of purchase may be on the same day as the time of purchase. Upon each exercise of the Over-Allotment Option, subject to such adjustment as the Representatives may determine to avoid fractional shares, and subject to adjustment in accordance with Section 11 hereof: (a) no Additional Shares shall be purchased from the Company unless prior thereto or in connection therewith all Additional Shares offered by the Selling Stockholders as set forth in Schedule C annexed hereto have been or are being purchased (or would have been purchased but for a reason referred to in the last paragraph of Section 10), but after all such Additional Shares offered by the Selling Stockholders have been purchased (or would have been purchased but for a reason referred to in the last paragraph of Section 10), then the balance of the Additional Shares to be purchased in connection with such exercise of the Over-Allotment Option shall be purchased from the Company; (b) the number of Additional Shares to be purchased from each Selling Stockholder shall be in proportion to its respective number of Additional Shares as set forth in Schedule C annexed hereto; and (c) the number of Additional Shares to be purchased by each Underwriter, severally and not jointly, shall be the number which bears the same proportion to the aggregate number of Additional Shares to be purchased pursuant to such exercise of the Over-Allotment Option as the number of Firm Shares set forth opposite the name of such Underwriter in Schedule A annexed hereto bears to the total number of Firm Shares.

2. Payment and Delivery. Payment of the purchase price for the Firm Shares shall be made to the Company by Federal Funds wire transfer against delivery of the certificates for the Firm Shares to you through the facilities of The Depository Trust Company ("DTC") for the respective accounts of the Underwriters. Such payment and delivery shall be made at 10:00 A.M., New York City time, on _____, 2007 (unless another time shall be agreed to by you and the Company, or unless postponed in accordance with the provisions of Section 11 hereof). The time at which such payment and delivery are to be made is hereinafter sometimes called the "time of purchase." Electronic transfer of the Firm Shares shall be made to you at the time of purchase in such names and in such denominations as you shall specify.

Payment of the purchase price for any Additional Shares to be sold by the Selling Stockholders shall be made to the Custodian on their behalf by Federal Funds wire transfer against delivery of the certificates for such Additional Shares to you through the facilities of DTC for the respective accounts of the Underwriters. Such payment and delivery shall be made at the applicable additional time of purchase in the same manner and at the same office as the payment for the Firm Shares. Electronic transfer of such Additional Shares shall be made to you at such additional time of purchase in such names and in such denominations as you shall specify.

Payment of the purchase price for any Additional Shares to be sold by the Company shall be made to the Company at the applicable additional time of purchase in the same manner and at the same office as the payment for the Firm Shares. Electronic transfer of such Additional Shares shall be made to you at such additional time of purchase in such names and in such denominations as you shall specify.

Deliveries of the documents described in Section 9 hereof with respect to the purchase of the Shares shall be made at the offices of Davis Polk & Wardwell at 450 Lexington Avenue, New York, New York, at 9:00 A.M., New York City time, on the date of the closing of the purchase of the Firm Shares or the Additional Shares, as the case may be.

3. Representations and Warranties of the Company. The Company represents and warrants to and agrees with each of the Underwriters that:

(a) the Registration Statement has been declared effective under the Act or, with respect to any registration statement to be filed to register the offer and sale of Shares pursuant to Rule 462(b) under the Act, will be filed with the Commission and become effective under the Act no later than 10:00 P.M., New York City time, on the date of determination of the public offering price for the Shares; no stop order of the Commission preventing or suspending the use of any Preliminary Prospectus or Permitted Free Writing Prospectus, or the effectiveness of the Registration Statement, has been issued, and no proceedings for such purpose have been instituted or, to the Company's knowledge, are contemplated by the Commission; the Exchange Act Registration Statement has become effective as provided in Section 12 of the Exchange Act;

(b) the Registration Statement complied when it became effective, complies as of the date hereof and, as amended or supplemented, at the time of purchase, each additional time of purchase, if any, and at all times during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares, will comply, in all material respects, with the requirements of the Act; the Registration Statement did not, as of the Effective Time, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; each Preliminary Prospectus complied, at the time it was filed with the Commission, and complies as of the date hereof, in all material respects with the requirements of the Act; at no time during the period that begins on the earlier of the date of such Preliminary Prospectus and the date such Preliminary Prospectus was filed with the Commission and ends at the time of purchase did or will any Preliminary Prospectus, as then amended or supplemented, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, and at no time during such period did or will any Preliminary Prospectus, as then amended or supplemented, together with any combination of one or more of the then issued Permitted Free Writing Prospectuses, if any, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; the Prospectus will comply, as of its date, the date that it is filed with the Commission, the time of purchase, each additional time of purchase, if any, and at all times during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares, in all material respects, with the requirements of the Act (including, without limitation, Section 10(a) of the Act); at no time during the period that begins on the earlier of the date of the Prospectus and the date the Prospectus is filed with the Commission and ends at the later of the time of purchase, the latest additional time of purchase, if any, and the end of the period during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares did or will the Prospectus, as then amended or supplemented, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; at no time during the period that begins on the date of such Permitted Free Writing Prospectus and ends at the time of purchase did or will any Permitted Free Writing Prospectus include an untrue statement of a material fact or, together with the then-most recent Preliminary Prospectus, omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representation or warranty with respect to any statement contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any Permitted Free Writing Prospectus in reliance upon and in conformity with information concerning an Underwriter and furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use in the Registration Statement, such Preliminary Prospectus, the Prospectus or such Permitted Free Writing Prospectus;

(c) prior to the execution of this Agreement, the Company has not, directly or indirectly, offered or sold any Shares by means of any "prospectus" (within the meaning of the Act) or used any "prospectus" (within the meaning of the Act) in connection with the offer or sale of the Shares, in each case other than the Preliminary Prospectuses and the Permitted Free Writing Prospectuses, if any; the Company has not, directly or indirectly, prepared, used or referred to any Permitted Free Writing Prospectus except in compliance with Rules 164 and 433 under the Act; assuming that such Permitted Free Writing Prospectus is accompanied or preceded by the most recent Preliminary Prospectus that contains a price range or the Prospectus, as the case may be, and that such Permitted Free Writing Prospectus is so sent or given after the Registration Statement was filed with the Commission (and after such Permitted Free Writing Prospectus was, if required pursuant to Rule 433(d) under the Act, filed with the Commission), the sending or giving, by any Underwriter, of any Permitted Free Writing Prospectus will satisfy the provisions of Rule 164 and Rule 433 (without reliance on subsections (b), (c) and (d) of Rule 164); the Preliminary Prospectus dated _____, 2007 is a prospectus that, other than by reason of Rule 433 or Rule 431 under the Act, satisfies the requirements of Section 10 of the Act, including a price range where required by rule; neither the Company nor the Underwriters are disqualified, by reason of subsection (f) or (g) of Rule 164 under the Act, from using, in connection with the offer and sale of the Shares, "free writing prospectuses" (as defined in Rule 405 under the Act) pursuant to Rules 164 and 433 under the Act; the Company is not an "ineligible issuer" (as defined in Rule 405 under the Act) as of the eligibility determination date for purposes of Rules 164 and 433 under the Act with respect to the offering of the Shares contemplated by the Registration Statement; the parties hereto agree and understand that the content of any and all "road shows" (as defined in Rule 433 under the Act) related to the offering of the Shares contemplated hereby is solely the property of the Company; the Company has caused there to be made available at least one version of a "bona fide electronic road show" (as defined in Rule 433 under the Act) in a manner that, pursuant to Rule 433(d)(8)(ii) under the Act, causes the Company not to be required, pursuant to Rule 433(d) under the Act, to file, with the Commission, any Electronic Road Show;

(d) as of the date of this Agreement, the Company has an authorized and outstanding capitalization as set forth in the sections of the Registration Statement, the Preliminary Prospectuses and the Prospectus entitled "Capitalization" and "Description of Capital Stock" (and any similar sections or information, if any, contained in any Permitted Free Writing Prospectus), and, as of the time of purchase and any additional time of purchase, as the case may be, the Company shall have an authorized and outstanding capitalization as set forth in the sections of the Registration Statement, the Preliminary Prospectuses and the Prospectus entitled "Capitalization" and "Description of Capital Stock" (and any similar sections or information, if any, contained in any Permitted Free Writing Prospectus) (subject, in each case, to the issuance of shares of Common Stock upon exercise of stock options and warrants disclosed as outstanding in the Registration Statement (excluding the exhibits thereto), each Preliminary Prospectus and the Prospectus and the grant of options under existing stock option plans described in the Registration Statement (excluding the exhibits thereto), each Preliminary Prospectus and the Prospectus); all of the issued and outstanding shares of capital stock, including the Common Stock, of the Company have been duly authorized and validly issued and are fully paid and non-assessable, have been issued in compliance with all applicable securities laws and were not issued in violation of any preemptive right, resale right, right of first refusal or similar right (including any such right arising pursuant to any agreement with Evolution Beeson Gregory Limited or any other agreement, obligation or undertaking made by or on behalf of the Company in connection with the admission of the Common Stock to trading on AIM, a market operated by the London Stock Exchange (the "AIM")); no further approval or authority of the stockholders or the board of directors of the Company are required for the issuance and sale of the Shares; prior to the time of purchase, the Company has duly effected and completed the Reincorporation in the manner described in the Registration Statement (excluding the exhibits thereto), each Preliminary Prospectus and the Prospectus; and the Certificate of Incorporation of the Company and Bylaws of the Company, each in the form filed as an exhibit to the Registration Statement, have been heretofore duly authorized and approved in accordance with the Delaware General Corporation Law and shall become effective and in full force and effect at or before the time of purchase; the Shares are duly listed, and admitted and authorized for trading, subject to official notice of issuance and evidence of satisfactory distribution, on The Nasdaq Global Market (the "NASDAQ");

(e) prior to the Reincorporation, the Company has been or was, as applicable, duly incorporated and is or was, as applicable, validly existing as a corporation in good standing under the New Jersey Business Corporation Act, with full corporate power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, to execute and deliver this Agreement and to issue, sell and deliver the Shares pursuant hereto as contemplated herein; and from and after the Reincorporation, the Company has or will have been, as applicable, duly incorporated and is or will be, as applicable, validly existing as a corporation in good standing under the General Corporation Law of the State of Delaware, with full corporate power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, to execute and deliver this Agreement and to issue, sell and deliver the Shares pursuant hereto as contemplated herein;

(f) the Company is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the ownership or leasing of its properties or the conduct of its business requires such qualification, except where the failure to be so qualified and in good standing would not, individually or in the aggregate, either (i) have a material adverse effect on the business, properties, financial condition, results of operations, cash flows, management or prospects of the Company and the Subsidiaries (as defined below) taken as a whole, (ii) prevent or materially interfere with consummation of the transactions contemplated hereby or result in any liability for any Underwriter or (iii) prevent the shares of Common Stock from being accepted for listing on, or result in the delisting of shares of Common Stock from the NASDAQ or AIM (the occurrence of any such effect or any such prevention or interference or any such result described in the foregoing clauses (i), (ii) and (iii) being herein referred to as a "Material Adverse Effect");

(g) the Company has no subsidiaries (as defined under the Act) other than those identified in Exhibit 21.1 to the Registration Statement (collectively, the "Subsidiaries"); except as described in the Registration Statement, each Preliminary Prospectus and the Prospectus, the Company owns all of the issued and outstanding capital stock or other equity interests of each of the Subsidiaries; other than the capital stock or other equity interests of the Subsidiaries and except as described in the Registration Statement, each Preliminary Prospectus and the Prospectus, the Company does not own, directly or indirectly, any shares of stock or any other equity interests or long-term debt securities of any corporation, firm, partnership, joint venture, association or other entity; complete and correct copies of the organizational documents and the bylaws of the Company and each Subsidiary and all amendments thereto have been delivered to you, and, except as set forth in the exhibits to the Registration Statement, no changes therein will be made on or after the date hereof through and including the time of purchase or, if later, any additional time of purchase; each Subsidiary has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, with full corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any; each Subsidiary is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the ownership or leasing of its properties or the conduct of its business requires such qualification, except where the failure to be so qualified and in good standing would not, individually or in the aggregate, have a Material Adverse Effect; all of the outstanding shares of capital stock of each of the Subsidiaries have been duly authorized and validly issued, are fully paid and non-assessable, have been issued in compliance with all applicable securities laws, were not issued in violation of any preemptive right, resale right, right of first refusal or similar right and, except as described in the Registration Statement, each Preliminary Prospectus and the Prospectus, are owned by the Company subject to no security interest, other encumbrance or adverse claims; no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligation into shares of capital stock or ownership interests in the Subsidiaries are outstanding; the Company has no "significant subsidiary," as that term is defined in Rule 1-02(w) of Regulation S-X under the Act;

(h) the Shares to be sold by the Company pursuant hereto have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued, fully paid and non-assessable and free of statutory and contractual preemptive rights, resale rights, rights of first refusal and similar rights (including any such right arising pursuant to any agreement with Evolution Beeson Gregory Limited or any other agreement, obligation or undertaking made by or on behalf of the Company in connection with the admission of the Common Stock to trading on AIM); the Shares to be sold by the Company pursuant hereto, when issued and delivered against payment therefor as provided herein, will be free of any restriction upon the voting or transfer thereof pursuant to the Company's charter or bylaws or any agreement or other instrument to which the Company is a party; the Additional Shares to be sold by the Selling Stockholders pursuant hereto have been duly and validly authorized and issued and are and, after they are delivered against payment therefor as provided herein, will be fully paid, non-assessable and free of statutory and contractual preemptive rights, resale rights, rights of first refusal and similar rights (including any such right arising pursuant to any agreement with Evolution Beeson Gregory Limited or any other agreement, obligation or undertaking made by or on behalf of the Company in connection with the admission of the Common Stock to trading on AIM); the Additional Shares to be sold by the Selling Stockholders pursuant hereto are and, after they are delivered against payment therefor as provided herein, will be free of any restriction upon the voting or transfer thereof pursuant to the Company's charter or bylaws or any agreement or other instrument to which the Company is a party;

(i) the capital stock of the Company, including the Shares, conforms in all material respects to the description thereof, if any, contained in the Registration

Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any; and the certificates for the Shares are in due and proper form;

(j) this Agreement has been duly authorized, executed and delivered by the Company;

(k) neither the Company nor any of the Subsidiaries is in breach or violation of or in default under (nor has any event occurred which, with notice, lapse of time or both, would result in any breach or violation of, constitute a default under or give the holder of any indebtedness (or a person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a part of such indebtedness under) (A) its respective charter or bylaws, or (B) any indenture, mortgage, deed of trust, bank loan or credit agreement or other evidence of indebtedness, or any license, lease, contract or other agreement or instrument to which it is a party or by which it or any of its properties may be bound or affected, or (C) any federal, state, local or foreign law, regulation or rule, or (D) any rule or regulation of any regulatory organization having jurisdiction over the Company or its assets (including, without limitation, the rules and regulations of the NASDAQ or AIM), or (E) any decree, judgment or order applicable to it or any of its properties, except, with respect to clauses (B), (C), (D) or (E), where such breach, violation or default would not, individually or in the aggregate, have a Material Adverse Effect;

(l) the execution, delivery and performance of this Agreement, the issuance and sale of the Shares to be sold by the Company pursuant hereto, the sale of the Additional Shares to be sold by the Selling Stockholders pursuant hereto and the consummation of the transactions contemplated hereby will not conflict with, result in any breach or violation of or constitute a default under (nor constitute any event which, with notice, lapse of time or both, would result in any breach or violation of, constitute a default under or give the holder of any indebtedness (or a person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a part of such indebtedness under) (or result in the creation or imposition of a lien, charge or encumbrance on any property or assets of the Company or any Subsidiary pursuant to) (A) the charter or bylaws of the Company or any of the Subsidiaries, or (B) any indenture, mortgage, deed of trust, bank loan or credit agreement or other evidence of indebtedness, or any license, lease, contract or other agreement or instrument to which the Company or any of the Subsidiaries is a party or by which any of them or any of their respective properties may be bound or affected, or (C) any federal, state, local or foreign law, regulation or rule, or (D) any rule or regulation of any regulatory organization having jurisdiction over the Company or its assets (including, without limitation, the rules and regulations of the NASDAQ or AIM), except where such conflict, breach, violation or default would not, individually or in the aggregate, have a Material Adverse Effect, or (E) any decree, judgment or order applicable to the Company or any of the Subsidiaries or any of their respective properties;

(m) no approval, authorization, consent or order of or filing with any federal, state, local or foreign governmental or regulatory commission, board, body, authority or agency, or of or with any self-regulatory organization or other non-governmental regulatory authority (including, without limitation, the NASDAQ and AIM), is required in connection with the issuance and sale of the Shares to be sold by the Company pursuant hereto, the sale of the Additional Shares to be sold by the Selling Stockholders pursuant hereto or the consummation of the transactions contemplated hereby, other than (i) approval of the stockholders of the Company, which has been obtained, (ii) registration of the Shares under the Act, which has been effected (or, with respect to any registration statement to be filed hereunder pursuant to Rule 462(b) under the Act, will be effected in accordance herewith), (iii) any necessary qualification under the securities or blue sky laws of the various jurisdictions in which the Shares are being offered by the Underwriters, (iv) under the Conduct Rules of the National Association of Securities Dealers, Inc. (the "NASD") or (v) admission of the Shares to trading on AIM, which admission need not occur prior to or simultaneously with the issuance and sale of the Shares;

(n) except as described in the Registration Statement (excluding the exhibits thereto), each Preliminary Prospectus and the Prospectus, (i) no person has the right, contractual or otherwise, to cause the Company to issue or sell to it any shares of Common Stock or shares of any other capital stock or other equity interests of the Company, (ii) no person has any preemptive rights, resale rights, rights of first refusal or other rights to purchase any shares of Common Stock or shares of any other capital stock of or other equity interests in the Company (including any such right arising pursuant to any agreement with Evolution Beeson Gregory Limited or any other agreement, obligation or undertaking made by or on behalf of the Company in connection with the admission of the Common Stock to trading on AIM) and (iii) no person has the right to act as an underwriter or as a financial advisor to the Company in connection with the offer and sale of the Shares, in the case of the foregoing clauses (i), (ii) and (iii), whether as a result of the filing or effectiveness of the Registration Statement or the sale of the Shares as contemplated thereby or otherwise; no person has the right, contractual or otherwise, to cause the Company to register under the Act any shares of Common Stock or shares of any other capital stock of or other equity interests in the Company, or to include any such shares or interests in the Registration Statement or the offering contemplated thereby;

(o) each of the Company and the Subsidiaries has all necessary licenses, authorizations, consents and approvals and has made all necessary filings required under any federal, state, local or foreign law, regulation or rule, and has obtained all necessary licenses, authorizations, consents and approvals from other persons, in order to conduct their respective businesses; neither the Company nor any of the Subsidiaries is in violation of, or in default under, or has received notice of any proceedings relating to revocation or modification of, any such license, authorization, consent or approval or any federal, state, local or foreign law, regulation or rule or any decree, order or judgment applicable to the Company or any of the Subsidiaries, except where such violation, default, revocation or modification would not, individually or in the aggregate, have a Material Adverse Effect;

(p) there are no actions, suits, claims, investigations or proceedings pending or, to the Company's knowledge, threatened or contemplated to which the Company or any of the Subsidiaries or any of their respective directors or officers is or would be a party or of which any of their respective properties is or would be subject at law or in equity, before or by any federal, state, local or foreign governmental or regulatory commission, board, body, authority or agency, or before or by any other non-governmental regulatory authority having jurisdiction over the Company or its assets (including, without limitation, the NASDAQ and AIM), except any such action, suit, claim, investigation or proceeding which, if resolved adversely to the Company or any Subsidiary, would not, individually or in the aggregate, have a Material Adverse Effect;

(q) KPMG LLP, whose report on the consolidated financial statements of the Company and the Subsidiaries as of April 30, 2006 and April 30, 2005 and for the years then ended is included in the Registration Statement, the Preliminary Prospectuses and the Prospectus, is an independent registered public accounting firm as required by the Act and by the rules of the Public Company Accounting Oversight Board; and Deloitte & Touche LLP, whose report on the consolidated financial statements of the Company and the Subsidiaries as of April 30, 2004 and for the year then ended is included in the Registration Statement, the Preliminary Prospectuses and the Prospectus, is an independent registered public accounting firm as required by the Act and by the rules of the Public Company Accounting Oversight Board;

(r) the financial statements included in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, together with the related notes and schedules, present fairly the consolidated financial position of the Company and the Subsidiaries as of the dates indicated and the consolidated results of operations, cash flows and changes in stockholders' equity of the Company for the periods specified and have been prepared in compliance with the requirements of the Act and Exchange Act and in conformity with U.S. generally accepted accounting principles applied on a consistent basis during the periods involved; [all pro forma financial statements or data included in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, comply with the requirements of the Act and the Exchange Act, and the assumptions used in the preparation of such pro forma financial statements and data are reasonable, the pro forma adjustments used therein are appropriate to give effect to the transactions or circumstances described therein and the pro forma adjustments have been properly applied to the historical amounts in the compilation of those statements and data;](1) the other financial and statistical data relating to the Company contained in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, are accurately and fairly presented and prepared on a basis consistent with the financial statements and books and records of the Company; there are no financial statements (historical or pro forma) that are required to be included in the Registration Statement, any Preliminary Prospectus or the Prospectus that are not included as required; the Company and the Subsidiaries do not have any material

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(1) To be deleted if no pro formas are included.

liabilities or obligations, direct or contingent (including any off-balance sheet obligations), not described in the Registration Statement (excluding the exhibits thereto), each Preliminary Prospectus and the Prospectus; and all disclosures contained in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, regarding "non-GAAP financial measures" (as such term is defined by the rules and regulations of the Commission) comply with Regulation G of the Exchange Act and Item 10 of Regulation S-K under the Act, to the extent applicable;

(s) subsequent to the respective dates as of which information is given in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, in each case excluding any amendments or supplements to the foregoing made after the execution of this Agreement, there has not been (i) any material adverse change, or any development involving a prospective material adverse change, in the business, properties, financial condition, results of operations, cash flows, management or prospects of the Company and the Subsidiaries taken as a whole, (ii) any transaction which is material to the Company and the Subsidiaries taken as a whole, (iii) any obligation or liability, direct or contingent (including any off-balance sheet obligations), incurred by the Company or any Subsidiary, which is material to the Company and the Subsidiaries taken as a whole, (iv) any change in the capital stock or outstanding indebtedness of the Company or any Subsidiaries or (v) any dividend or distribution of any kind declared, paid or made on the capital stock of the Company or any Subsidiary;

(t) the Company has obtained for the benefit of the Underwriters the agreement (a "Lock-Up Agreement"), in the form set forth as Exhibit A hereto, of each of its directors and "officers" (within the meaning of Rule 16a-1(f) under the Exchange Act), each Selling Stockholder and each other person identified on Exhibit A-1 attached hereto;

(u) neither the Company nor any Subsidiary is, and at no time during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares will either of them be, and, solely after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Registration Statement, each Preliminary Prospectus and the Prospectus, neither of them will be, an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended (the "Investment Company Act");

(v) the Company and each of the Subsidiaries have good and marketable title to all property (real and personal) described in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, as being owned by any of them, free and clear of all liens, claims, security interests or other encumbrances; all the property described in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, as being held under lease by the Company or a Subsidiary is held thereby under valid, subsisting and enforceable leases;

(w) the Company and the Subsidiaries own, or have obtained valid and enforceable licenses for, or other rights to use, the inventions, patent applications, patents, trademarks (both registered and unregistered), tradenames, service names, copyrights, trade secrets and other proprietary information described in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, as being owned or licensed by them or which are necessary for the conduct of their respective businesses (including the commercialization of products or services described in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, as under development), except where the failure to own, license or have such rights would not, individually or in the aggregate, have a Material Adverse Effect (collectively, "Intellectual Property"); (i) there are no third parties who have or, to the Company's knowledge, will be able to establish rights to any Intellectual Property, except for the ownership rights of the owners of the Intellectual Property which the Registration Statement (excluding the exhibits thereto), each Preliminary Prospectus and the Prospectus disclose is licensed to the Company; (ii) there is no infringement by third parties of any Intellectual Property; (iii) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the Company's rights in or to any Intellectual Property, and the Company is unaware of any facts which could form a reasonable basis for any such action, suit, proceeding or claim; (iv) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the validity, enforceability or scope of any Intellectual Property, and the Company is unaware of any facts which could form a reasonable basis for any such action, suit, proceeding or claim; (v) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others that the Company or any Subsidiary infringes or otherwise violates, or would, upon the commercialization of any product or service described in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, as under development, infringe or violate, any patent, trademark, tradename, service name, copyright, trade secret or other proprietary rights of others, and the Company is unaware of any facts which could form a reasonable basis for any such action, suit, proceeding or claim; (vi) the Company and the Subsidiaries have complied with the terms of each agreement pursuant to which Intellectual Property has been licensed to the Company or any Subsidiary, and, to the Company's knowledge, all such agreements are in full force and effect; (vii) to the Company's knowledge, there is no patent or patent application that contains claims that interfere with the issued or pending claims of any of the Intellectual Property or that adversely affects the validity, enforceability or scope of any of the Intellectual Property; and (viii) to the Company's knowledge, there is no prior art that may render any patent application within the Intellectual Property unpatentable that has not been disclosed to the U.S. Patent and Trademark Office;

(x) neither the Company nor any of the Subsidiaries is engaged in any unfair labor practice; except for matters which would not, individually or in the aggregate, have a Material Adverse Effect, (i) there is (A) no unfair labor practice complaint pending or, to the Company's knowledge, threatened against the Company or any of the Subsidiaries before the National Labor Relations Board, and no grievance or arbitration proceeding arising out of or under collective bargaining agreements is pending or, to the Company's knowledge, threatened, (B) no strike, labor dispute, slowdown or stoppage pending or, to the Company's knowledge, threatened against the Company or any of the Subsidiaries and (C) no union representation dispute currently existing concerning the employees of the Company or any of the Subsidiaries, (ii) to the Company's knowledge, no union organizing activities are currently taking place concerning the employees of the Company or any of the Subsidiaries and (iii) there has been no violation of any federal, state, local or foreign law relating to discrimination in the hiring, promotion or pay of employees, any applicable wage or hour laws or any provision of the Employee Retirement Income Security Act of 1974 ("ERISA") or the rules and regulations promulgated thereunder concerning the employees of the Company or any of the Subsidiaries;

(y) the Company and the Subsidiaries and their respective properties, assets and operations are in compliance with, and the Company and the Subsidiaries hold all permits, authorizations and approvals required under, Environmental Laws (as defined below), except to the extent that failure to so comply or to hold such permits, authorizations or approvals would not, individually or in the aggregate, have a Material Adverse Effect; there are no past, present or, to the Company's knowledge, reasonably anticipated future events, conditions, circumstances, activities, practices, actions, omissions or plans that could reasonably be expected to give rise to any material costs or liabilities to the Company or any Subsidiary under, or to interfere with or prevent compliance by the Company or any Subsidiary with, Environmental Laws; except as would not, individually or in the aggregate, have a Material Adverse Effect, neither the Company nor any of the Subsidiaries (i) is the subject of any investigation, (ii) has received any notice or claim, (iii) is a party to or affected by any pending or, to the Company's knowledge, threatened action, suit or proceeding, (iv) is bound by any judgment, decree or order or (v) has entered into any agreement, in each case relating to any alleged violation of any Environmental Law or any actual or alleged release or threatened release or cleanup at any location of any Hazardous Materials (as defined below) (as used herein, "Environmental Law" means any federal, state, local or foreign law, statute, ordinance, rule, regulation, order, decree, judgment, injunction, permit, license, authorization or other binding requirement, or common law, relating to health, safety or the protection, cleanup or restoration of the environment or natural resources, including those relating to the distribution, processing, generation, treatment, storage, disposal, transportation, other handling or release or threatened release of Hazardous Materials, and "Hazardous Materials" means any material (including, without limitation, pollutants, contaminants, hazardous or toxic substances or wastes) that is regulated by or may give rise to liability under any Environmental Law);

(z) in the ordinary course of its business, the Company evaluates the effect of the Environmental Laws on the Company's and its subsidiaries' businesses, operations and properties and the associated costs and liabilities (including, without limitation, any capital or operating expenditures required for cleanup, closure of properties or compliance with the Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties);

(aa) all tax returns required to be filed by the Company or any of the Subsidiaries have been timely filed (within the time extensions permitted by the relevant tax authorities), and all taxes and other assessments of a similar nature (whether imposed directly or through withholding) including any interest, additions to tax or penalties applicable thereto due or claimed to be due from such entities have been timely paid, other than those being contested in good faith and for which adequate reserves have been provided and except where the failure to file such returns or to pay such taxes would not, individually or in the aggregate, have a Material Adverse Effect;

(bb) the Company maintains insurance covering its properties, operations, personnel and businesses as the Company reasonably deems adequate; such insurance insures against such losses and risks to an extent which is adequate in accordance with customary industry practice to protect the Company and the Subsidiaries and their respective businesses; all such insurance is fully in force on the date hereof and will be fully in force at the time of purchase and each additional time of purchase, if any; neither the Company nor any Subsidiary has reason to believe that it will not be able to renew any such insurance as and when such insurance expires;

(cc) neither the Company nor any Subsidiary has sent or received any communication regarding termination of, or intent not to renew, any of the contracts or agreements filed or required to be filed as an exhibit to the Registration Statement, and no such termination or non-renewal has been threatened by the Company or any Subsidiary or, to the Company's knowledge, any other party to any such contract or agreement;

(dd) the Company and each of the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences;

(ee) the Company has established and maintains and evaluates "disclosure controls and procedures" (as such term is defined in Rule 13a-15 and 15d-15 under the Exchange Act) and "internal control over financial reporting" (as such term is defined in Rule 13a-15 and 15d-15 under the Exchange Act); such disclosure controls and procedures are designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's Chief Executive Officer and its Chief Financial Officer by others within those entities, and such disclosure controls and procedures are effective to perform the functions for which they were established; the Company's independent auditors and the Audit Committee of the Board of Directors of the Company have been advised of: (i) all significant deficiencies, if any, in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data; and (ii) all fraud, if any, whether or not material, that involves management or other employees who have a role in the Company's internal controls; no material weaknesses in internal controls in any of the periods covered by the audited financial statements included in the Registration Statement, any Preliminary Prospectus or the Prospectus have been identified to the Company's independent auditors; except as disclosed in the Registration Statement, each Preliminary Prospectus and the Prospectus, since the third anniversary preceding the date of the Company's most recent audited balance sheet, there has been no material weaknesses in the Company's internal control over financial reporting (whether or not remediated) and no occurrences of fraud, whether or not material, that involve management or other employees who have a role in the Company's internal controls; since the date of the most recent evaluation of such disclosure controls and procedures and internal controls, there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses; and the Company has taken all necessary actions to ensure that, upon and at all times after the filing of the Registration Statement, the Company and the Subsidiaries and their respective officers and directors, in their capacities as such, will be in compliance in all material respects with the applicable provisions of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and the rules and regulations promulgated thereunder;

(ff) each "forward-looking statement" (within the meaning of Section 27A of the Act or Section 21E of the Exchange Act) contained in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, has been made or reaffirmed with a reasonable basis and in good faith;

(gg) all statistical or market-related data included in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, are based on or derived from sources that the Company reasonably believes to be reliable and accurate, and the Company has obtained the written consent to the use of such data from such sources to the extent required;

(hh) neither the Company nor any of the Subsidiaries nor, to the Company's knowledge, any employee or agent of the Company or any Subsidiary has made any payment of funds of the Company or any Subsidiary or received or retained any funds in violation of (or which, if the Company were subject to the reporting obligations of the Exchange Act, would be a violation of) the Foreign Corrupt Practices Act of 1977;

(ii) to the knowledge of the Company, the operations of the Company and the Subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "Money Laundering Laws"); and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator or non-governmental authority involving the Company or any of the Subsidiaries with respect to the Money Laundering Laws is pending or, to the Company's knowledge, threatened;

(jj) no Subsidiary is currently prohibited, directly or indirectly, from paying any dividends to the Company, from making any other distribution on such Subsidiary's capital stock, from repaying to the Company any loans or advances to such Subsidiary from the Company or from transferring any of such Subsidiary's property or assets to the Company or any other Subsidiary of the Company, except as disclosed in the Registration Statement (excluding the exhibits thereto), each Preliminary Prospectus and the Prospectus;

(kk) the issuance and sale of the Shares to be sold by the Company and the sale of the Additional Shares to be sold by the Selling Stockholders as contemplated hereby will not cause any holder of any shares of capital stock, securities convertible into or exchangeable or exercisable for capital stock or options, warrants or other rights to purchase capital stock or any other securities of the Company (including any such right arising pursuant to any agreement with Evolution Beeson Gregory Limited or any other agreement, obligation or undertaking made by or on behalf of the Company in connection with the admission of the Common Stock to trading on AIM) to have any right to acquire any shares of capital stock of the Company;

(ll) except pursuant to this Agreement, neither the Company nor any of the Subsidiaries has incurred any liability for any finder's or broker's fee or agent's commission in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby or by the Registration Statement;

(mm) neither the Company nor any of the Subsidiaries nor any of their respective directors, officers, affiliates or controlling persons has taken, directly or indirectly, any action designed, or which has constituted or might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares;

(nn) to the Company's knowledge, there are no affiliations or associations between (i) any member of the NASD and (ii) the Company or any of the Company's officers, directors or 5% or greater security holders, or any beneficial owner of the Company's unregistered equity securities that were acquired at any time on or after the 180th day immediately preceding the date the Registration Statement was initially filed with the Commission, except as disclosed in the Registration Statement (excluding the exhibits thereto), the Preliminary Prospectuses and the Prospectus; and

(oo) the Reincorporation of the Company from a corporation organized under the laws of the State of New Jersey to a corporation organized under the laws of the State of Delaware as described in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, has been duly authorized by the Company and its stockholders and will be effective at or prior to the time of purchase; except as described in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, the Reincorporation will have no adverse effect on the business, properties, financial condition, results of operations, cash flows, management or prospects of the Company and the Subsidiaries taken as a whole; all consents, approvals, authorizations and orders necessary for the Reincorporation have been obtained, except for such consents, approvals, authorizations and orders that, if not obtained, would not, individually or in the aggregate, have a Material Adverse Effect; and no stockholder of the Company has any appraisal rights, dissenters' rights, repurchase rights, redemption rights or similar rights in connection with the Reincorporation.

In addition, any certificate signed by any officer of the Company or any of the Subsidiaries and delivered to the Underwriters or counsel for the Underwriters in connection with the offering of the Shares shall be deemed to be a representation and warranty by the Company, as to matters covered thereby, to each Underwriter.

4. Representations and Warranties of the Selling Stockholders. Each Selling Stockholder represents and warrants to each of the Underwriters that:

(a) the Registration Statement complied when it became effective, complies as of the date hereof and, as amended or supplemented, at the time of purchase, each additional time of purchase, if any, and at all times during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares, will comply, in all material respects, with the requirements of the Act; the Registration Statement did not, as of the Effective Time, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; each Preliminary Prospectus complied, at the time it was filed with the Commission, and complies as of the date hereof, in all material respects with the requirements of the Act; at no time during the period that begins on the earlier of the date of such Preliminary Prospectus and the date such Preliminary Prospectus was filed with the Commission and ends at the time of purchase did or will any Preliminary Prospectus, as then amended or supplemented, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, and at no time during such period did or will any Preliminary Prospectus, as then amended or supplemented, together with any combination of one or more of the then issued Permitted Free Writing Prospectuses, if any, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; the Prospectus will comply, as of its date, the date that it is filed with the Commission, the time of purchase, each additional time of purchase, if any, and at all times during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares, in all material respects, with the requirements of the Act (including, without limitation, Section 10(a) of the Act); at no time during the period that begins on the earlier of the date of the Prospectus and the date the Prospectus is filed with the Commission and ends at the later of the time of purchase, the latest additional time of purchase, if any, and the end of the period during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares did or will the Prospectus, as then amended or supplemented, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; at no time during the period that begins on the date of such Permitted Free Writing Prospectus and ends at the time of purchase did or will any Permitted Free Writing Prospectus include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that such Selling Stockholder makes no representation or warranty in this paragraph 4(a) with respect to any statement contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any Permitted Free Writing Prospectus in reliance upon and in conformity with information concerning an Underwriter and furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use in the Registration Statement, such Preliminary Prospectus, the Prospectus or such Permitted Free Writing Prospectus; and provided, further, that as to the Selling Stockholder identified on Schedule C annexed hereto as the Non-Management Stockholder, the representation and warranty contained in this paragraph 4(a) shall be limited to information, statements or omissions relating to such Non-Management Stockholder.

(b) such Selling Stockholder has not, prior to the execution of this Agreement, offered or sold any Shares by means of any "prospectus" (within the meaning of the Act), or used any "prospectus" (within the meaning of the Act) in connection with the offer or sale of the Shares, in each case other than the then most recent Preliminary Prospectus;

(c) neither the execution, delivery and performance of this Agreement or the Custody Agreement or Power of Attorney to which such Selling Stockholder is a party nor the sale by such Selling Stockholder of the Additional Shares to be sold by such Selling Stockholder pursuant to this Agreement nor the consummation of the transactions contemplated hereby or thereby will conflict with, result in any breach or violation of or constitute a default under (or constitute any event which with notice, lapse of time or both would result in any breach or violation of or constitute a default under) (i) any indenture, mortgage, deed of trust, bank loan or credit agreement or other evidence of indebtedness, or any license, lease, contract or other agreement or instrument to which such Selling Stockholder is a party or by which such Selling Stockholder or any of its properties may be bound or affected, (ii) any federal, state, local or foreign law, regulation or rule, (iii) or any rule or regulation of any self-regulatory organization or other non-governmental regulatory authority (including, without limitation, the rules and regulations of the NASDAQ), or (iv) any decree, judgment or order applicable to such Selling Stockholder or any of its properties;

(d) no approval, authorization, consent or order of or filing with any federal, state, local or foreign governmental or regulatory commission, board, body, authority or agency, or of or with any self-regulatory organization or other non-governmental regulatory authority (including, without limitation, the NASDAQ and AIM), is required in connection with the sale of the Additional Shares to be sold by such Selling Stockholder pursuant to this Agreement or the consummation by such Selling Stockholder of the transactions contemplated hereby or by the Custody Agreement or Power of Attorney to which such Selling Stockholder is a party other than (i) registration of the Shares under the Act, which has been effected (or, with respect to any registration statement to be filed hereunder pursuant to Rule 462(b) under the Act, will be effected in accordance herewith), (ii) any necessary qualification under the securities or blue sky laws of the various jurisdictions in which the Shares are being offered by the Underwriters, (iii) under the Conduct Rules of the NASD or (iv) admission of the Shares to trading on AIM, which admission need not occur prior to or simultaneously with the issuance and sale of the Shares;

(e) neither such Selling Stockholder nor any of its affiliates has taken, directly or indirectly, any action designed to, or which has constituted or might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares;

(f) there are no affiliations or associations between any member of the NASD and such Selling Stockholder, except as disclosed in the Registration Statement (excluding the exhibits thereto), each Preliminary Prospectus and the Prospectus; none of the proceeds received by such Selling Stockholder from the sale of the Additional Shares to be sold by such Selling Stockholder pursuant to this Agreement will be paid to a member of the NASD or any affiliate of (or person "associated with," as such terms are used in the Rules of the NASD) such member;

(g) such Selling Stockholder now is and, at the time of delivery of such Additional Shares (at each additional time of purchase), will be the lawful owner of the number of Additional Shares to be sold by such Selling Stockholder pursuant to this Agreement and has and, at the time of delivery of such Additional Shares, will have valid and marketable title to such Additional Shares, and upon delivery of and payment for such Additional Shares (at each additional time of purchase), the Underwriters will acquire valid and marketable title to such Additional Shares free and clear of any claim, lien, encumbrance, security interest, community property right, restriction on transfer or other defect in title;

(h) such Selling Stockholder has and, at the time of delivery of the Additional Shares to be sold by such Selling Stockholder pursuant to this Agreement (at each additional time of purchase), will have full legal right, power and capacity, and all authorizations and approvals required by law (other than those imposed by the Act and state securities or blue sky laws), to (i) enter into this Agreement and a Custody Agreement and to execute a Power of Attorney, (ii) sell, assign, transfer and deliver the Additional Shares to be sold by such Selling Stockholder pursuant to this Agreement in the manner provided in this Agreement and (iii) make the representations, warranties and agreements made by such Selling Stockholder herein;

(i) this Agreement, the Custody Agreement and the Power of Attorney to which such Selling Stockholder is a party have each been duly executed and delivered by (or, in the case of this Agreement, on behalf of) such Selling Stockholder, and each is a legal, valid and binding agreement of such Selling Stockholder enforceable in accordance with its terms;

(j) such Selling Stockholder has duly and irrevocably authorized each of the Representatives of the Selling Stockholders (whether acting alone or together), on behalf of such Selling Stockholder, to execute and deliver this Agreement and any other documents necessary or desirable in connection with the transactions contemplated hereby or thereby and to deliver the Additional Shares to be sold by such Selling Stockholder pursuant to this Agreement and receive payment therefor pursuant hereto;

(k) the sale of the Additional Shares to be sold by such Selling Stockholder pursuant to this Agreement is not prompted by any information concerning the Company or any Subsidiary which is not set forth in the Registration Statement (excluding the exhibits thereto), each Preliminary Prospectus and the Prospectus;

(l) at each additional time of purchase, all stock transfer or other taxes (other than income taxes), if any, that are required to be paid in connection with the sale and transfer of the Additional Shares to be sold by such Selling Stockholder to the several Underwriters hereunder will be fully paid or provided for by such Selling Stockholder, and all laws imposing such taxes will be fully complied with;

(m) pursuant to the Custody Agreement to which such Selling Stockholder is a party, certificates in negotiable form for the Additional Shares to be sold by such Selling Stockholder pursuant to this Agreement have been placed in custody for the purpose of making delivery of such Additional Shares in accordance with this Agreement; such Selling Stockholder agrees that (i) such Additional Shares represented by such certificates are for the benefit of, and coupled with and subject to the interest of, the Custodian, the Representatives of the Selling Stockholders, the Underwriters and the Company, (ii) the arrangements made by such Selling Stockholder for custody and for the appointment of the Custodian and the Representatives of the Selling Stockholders by such Selling Stockholder are irrevocable, and (iii) the obligations of such Selling Stockholder hereunder shall not be terminated by operation of law, whether by the death, disability or incapacity of such Selling Stockholder (or, if such Selling Stockholder is not an individual, the liquidation, dissolution, merger or consolidation of such Selling Stockholder) or the occurrence of any other event (each, an "Event"); if an Event occurs before the delivery of the Additional Shares hereunder, certificates for the Additional Shares shall be delivered by the Custodian in accordance with the terms and conditions of the Power of Attorney to which such Selling Stockholder is a party, the Custody Agreement to which such Selling Stockholder is a party and this Agreement, and actions taken by the Custodian and the Representatives of the Selling Stockholders pursuant to such Power or Attorney or such Custody Agreement shall be as valid as if such Event had not occurred, regardless of whether or not the Custodian or the Representatives of the Selling Stockholders, or either of them, shall have received notice thereof;

(n) such Selling Stockholder does not have any registration or other similar rights to have any equity or debt securities of the Company registered for sale by the Company under the Registration Statement or included in the offering of the Shares, except for such rights as have been waived or which are described in the Registration Statement, each Preliminary Prospectus and the Prospectus (and which have been complied with); and

(o) such Selling Stockholder does not have, or has waived prior to the date hereof, any preemptive right, co-sale right or right of first refusal or other similar right to purchase any of the Shares that are to be sold by the Company or any other Selling Stockholder to the Underwriters pursuant to this Agreement; and such Selling Stockholder does not own any warrants, options or similar rights to acquire, and does not have any right or arrangement to acquire, any capital stock, right, warrants, options or other securities from the Company, other than those described in the Registration Statement, each Preliminary Prospectus and the Prospectus.

In addition, any certificate signed by any Selling Stockholder or by any Representative of the Selling Stockholders and delivered to the Underwriters or counsel for the Underwriters in connection with the offering of the Shares shall be deemed to be a representation and warranty by such Selling Stockholder, as to matters covered thereby, to each Underwriter.

5. Certain Covenants of the Company. The Company hereby agrees:

(a) to furnish such information as may be required and otherwise to cooperate in qualifying the Shares for offering and sale under the securities or blue sky laws of such states or other jurisdictions as you may designate and to maintain such qualifications in effect so long as you may request for the distribution of the Shares; provided, however, that the Company shall not be required to qualify as a foreign corporation or to consent to the service of process under the laws of any such jurisdiction (except service of process with respect to the offering and sale of the Shares); and to promptly advise you of the receipt by the Company of any notification with respect to the suspension of the qualification of the Shares for offer or sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose;

(b) to make available to the Underwriters in New York City, as soon as practicable after this Agreement becomes effective, and thereafter from time to time to furnish to the Underwriters, as many copies of the Prospectus (or of the Prospectus as amended or supplemented if the Company shall have made any amendments or supplements thereto after the effective date of the Registration Statement) as the Underwriters may request for the purposes contemplated by the Act; in case any Underwriter is required to deliver (whether physically or through compliance with Rule 172 under the Act or any similar rule), in connection with the sale of the Shares, a prospectus after the nine-month period referred to in Section 10(a)(3) of the Act, the

Company will prepare, at its expense, promptly upon request such amendment or amendments to the Registration Statement and the Prospectus as may be necessary to permit compliance with the requirements of Section 10(a)(3) of the Act;

(c) if, at the time this Agreement is executed and delivered, it is necessary for a post-effective amendment to the Registration Statement, or a Registration Statement under Rule 462(b) under the Act, to be filed with the Commission and become effective before the Shares may be sold, the Company will use its best efforts to cause such post-effective amendment or such Registration Statement to be filed and become effective, and will pay any applicable fees in accordance with the Act, as soon as possible; and the Company will advise you promptly and, if requested by you, will confirm such advice in writing, (i) when such post-effective amendment or such Registration Statement has become effective, and (ii) if Rule 430A under the Act is used, when the Prospectus is filed with the Commission pursuant to Rule 424(b) under the Act (which the Company agrees to file in a timely manner in accordance with such Rules);

(d) to advise you promptly, confirming such advice in writing, of any request by the Commission for amendments or supplements to the Registration Statement or the Exchange Act Registration Statement, any Preliminary Prospectus, the Prospectus or any Permitted Free Writing Prospectus or for additional information with respect thereto, or of notice of institution of proceedings for, or the entry of a stop order, suspending the effectiveness of the Registration Statement and, if the Commission should enter a stop order suspending the effectiveness of the Registration Statement, to use its best efforts to obtain the lifting or removal of such order as soon as possible; to advise you promptly of any proposal to amend or supplement the Registration Statement or the Exchange Act Registration Statement, any Preliminary Prospectus or the Prospectus, and to provide you and Underwriters' counsel copies of any such documents for review and comment a reasonable amount of time prior to any proposed filing and to file no such amendment or supplement to which you shall object in writing;

(e) to file promptly all reports and documents and any preliminary or definitive proxy or information statement required to be filed by the Company with the Commission in order to comply with the Exchange Act for so long as a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares; and to provide you with a copy of such reports and statements and other documents to be filed by the Company pursuant to Section 13, 14 or 15(d) of the Exchange Act during such period a reasonable amount of time prior to any proposed filing and, except as reasonably determined by Company counsel to be required by law, to file no such report, statement or document to which you shall have objected in writing;

(f) to advise the Underwriters promptly of the happening of any event within the period during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares, which event could require the making of any change in the Prospectus then being used so that the Prospectus would not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading, and to advise the Underwriters promptly if, during such period, it shall become necessary to amend or supplement the Prospectus to cause the Prospectus to comply with the requirements of the Act, and, in each case, during such time, subject to Section 5(d) hereof, to prepare and furnish, at the Company's expense, to the Underwriters promptly such amendments or supplements to such Prospectus as may be necessary to reflect any such change or to effect such compliance;

(g) to make generally available to its security holders, and to deliver to you (if not available on the Commission's Electronic Data Gathering, Analysis and Retrieval system ("EDGAR")), an earnings statement of the Company (which will satisfy the provisions of Section 11(a) of the Act) covering a period of twelve months beginning after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act) as soon as is reasonably practicable after the termination of such twelve-month period but in any case not later than the first date by which the Company is required to file with the Commission a Quarterly Report on Form 10-Q or Annual Report on Form 10-K that is required to include financial statements covering a period that includes the last month of such twelve-month period;

(h) to furnish to you five copies of the Registration Statement, as initially filed with the Commission, and of all amendments thereto (including all exhibits thereto) and sufficient copies of the foregoing (other than exhibits) for distribution of a copy to each of the other Underwriters, provided, however, that the Company shall not be required to furnish any materials pursuant to this clause (h) if such materials are available on EDGAR;

(i) to furnish to you as early as practicable prior to the time of purchase and any additional time of purchase, as the case may be, but not later than two business days prior thereto, a copy of the latest available unaudited interim and monthly consolidated financial statements, if any, of the Company and the Subsidiaries which have been read by the Company's independent registered public accountants, as stated in the letter of KPMG LLP to be furnished pursuant to Section 9(c) hereof;

(j) to apply the net proceeds to the Company from the sale of the Shares in the manner set forth under the caption "Use of Proceeds" in the Prospectus and to file such reports with the Commission with respect to the sale of the Shares and the application of the proceeds therefrom as may be required by Rule 463 under the Act;

(k) to comply with Rule 433(d) under the Act (without reliance on Rule 164(b) under the Act) and with Rule 433(g) under the Act;

(l) beginning on the date hereof and ending on, and including, the date that is 180 days after the date hereof (the "Lock-Up Period"), without the prior written consent of the Representatives, not to (i) issue, sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act and the rules and regulations of the Commission promulgated thereunder, with respect to, any Common Stock or any other securities of the Company that are substantially similar to Common Stock, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, (ii) file or cause to become effective a registration statement under the Act relating to the offer and sale of any Common Stock or any other securities of the Company that are substantially similar to Common Stock, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, (iii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Common Stock or any other securities of the Company that are substantially similar to Common Stock, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, whether any such transaction is to be settled by delivery of Common Stock or such other securities, in cash or otherwise or (iv) publicly announce an intention to effect any transaction specified in clause (i), (ii) or (iii), except, in each case, for (A) the offer and sale of the Shares as contemplated by this Agreement, (B) issuances of Common Stock upon the exercise of options or warrants disclosed as outstanding in the Registration Statement (excluding the exhibits thereto), each Preliminary Prospectus and the Prospectus, and (C) the issuance of employee stock options not exercisable during the Lock-Up Period pursuant to stock option plans described in the Registration Statement (excluding the exhibits thereto), each Preliminary Prospectus and the Prospectus; and (D) the issuance of Common Stock or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase the foregoing, in connection with any transaction that includes a strategic relationship (including joint ventures, development or construction agreements, marketing or distribution arrangements or intellectual property license agreements) or any acquisition of assets or acquisition of a majority or controlling portion of the equity of another entity, so long as the recipient of any Common Stock, securities or warrants issued pursuant to this clause (D) executes and delivers to the Representatives a Lock-Up Agreement and the aggregate amount of Common Stock, securities and warrants issued pursuant to this clause (D), on an as-converted, as-exchanged and as-exercised basis, as applicable, does not exceed 5% of the outstanding shares of Common Stock of the Company after giving effect to the issuance of sale of the Firm Shares; provided, however, that if (a) during the period that begins on the date that is fifteen (15) calendar days plus three (3) business days before the last day of the Lock-Up Period and ends on the last day of the Lock-Up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs; or (b) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results during the sixteen (16) day period beginning on the last day of the Lock-Up Period, then the restrictions imposed by this Section 5(l) shall continue to apply until the expiration of the date that is fifteen (15) calendar days plus three (3) business days after the date on which the issuance of the earnings release or the material news or material event occurs;

(m) prior to the time of purchase or any additional time of purchase, as the case may be, and except as required by law or any rule or regulation of NASDAQ or

AIM, to issue no press release or other communication directly or indirectly and hold no press conferences with respect to the Company or any Subsidiary, the financial condition, results of operations, business, properties, assets, or liabilities of the Company or any Subsidiary, or the offering of the Shares, without your prior consent, which consent shall not be unreasonably withheld or delayed;

(n) not, at any time at or after the execution of this Agreement, to offer or sell any Shares by means of any "prospectus" (within the meaning of the Act), or use any "prospectus" (within the meaning of the Act) in connection with the offer or sale of the Shares, in each case other than the Prospectus;

(o) not to, and to cause the Subsidiaries not to, take, directly or indirectly, any action designed, or which will constitute, or has constituted, or would reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares;

(p) to use its best efforts to cause the Common Stock, including the Shares, to be listed on and for quotation on the NASDAQ and to maintain such listing;

(q) to maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar for the Common Stock; and

(r) to cause the Shares to be admitted to trading on AIM as soon as practicable on or after the time of purchase.

6. Certain Covenants of the Selling Stockholders. Each Selling Stockholder hereby agrees:

(a) not, at any time at or after the execution of this Agreement, to offer or sell any Shares by means of any "prospectus" (within the meaning of the Act), or use any "prospectus" (within the meaning of the Act) in connection with the offer or sale of the Shares, in each case other than the Prospectus;

(b) not to take, directly or indirectly, any action designed, or which will constitute, or has constituted, or would reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares;

(c) to pay or cause to be paid all taxes, if any, on the transfer and sale of the Additional Shares being sold by such Selling Stockholder;

(d) to advise you promptly, and if requested by you, confirm such advice in writing, so long as a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares, of (i) any material change in the business, properties, financial condition, results of operations, cash flows, management or prospects of the Company and the Subsidiaries taken as a whole, (ii) any change in information in the Registration

Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, relating to such Selling Stockholder and (iii) any new material information relating to the Company or relating to any matter stated in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, which comes to the attention of such Selling Stockholder; provided, however, that clauses (i) and (iii) of this Section 6(d) shall not apply to the Non-Management Stockholder; and

(e) prior to or concurrently with the execution and delivery of this Agreement, to execute and deliver to the Underwriters a Lock-Up Agreement.

7. Covenant to Pay Costs. The Company agrees to pay all costs, expenses, fees and taxes in connection with (i) the preparation and filing of the Registration Statement, each Preliminary Prospectus, the Prospectus, each Permitted Free Writing Prospectus and any amendments or supplements thereto, and the printing and furnishing of copies of each thereof to the Underwriters and to dealers (including costs of mailing and shipment), (ii) the registration, issue, sale and delivery of the Shares including any stock or transfer taxes and stamp or similar duties payable upon the sale, issuance or delivery of the Shares to the Underwriters, (iii) the producing, word processing and/or printing of this Agreement, any Agreement Among Underwriters, any dealer agreements, any Powers of Attorney and Custody Agreements and any closing documents (including compilations thereof) and the reproduction and/or printing and furnishing of copies of each thereof to the Underwriters and (except closing documents) to dealers (including costs of mailing and shipment), (iv) the qualification of the Shares for offering and sale under state or foreign laws and the determination of their eligibility for investment under state or foreign law (including the legal fees and filing fees and other disbursements of counsel for the Underwriters) and the printing and furnishing of copies of any blue sky surveys or legal investment surveys to the Underwriters and to dealers, (v) any listing of the Shares on any securities exchange or qualification of the Shares for quotation on the NASDAQ or AIM and any registration thereof under the Exchange Act, (vi) any filing for review of the public offering of the Shares by the NASD, including the legal fees and filing fees and other disbursements of counsel to the Underwriters relating to NASD matters, (vii) the fees and disbursements of any transfer agent or registrar for the Shares and the fees and disbursements of the Custodian, (viii) the costs and expenses of the Company relating to presentations or meetings undertaken in connection with the marketing of the offering and sale of the Shares to prospective investors and the Underwriters' sales forces, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations, travel, lodging and other expenses incurred by the officers of the Company and any such consultants, and the cost of any aircraft chartered at the request or with the consent of the Company in connection with the road show, (ix) the costs and expenses of qualifying the Shares for inclusion in the book-entry settlement system of the DTC, (x) the preparation and filing of the Exchange Act Registration Statement, including any amendments thereto, and (xi) the performance of the Company's and the Selling Stockholders' other obligations hereunder. The provisions of this Section 7 are not intended to affect any right of the Company to reimbursement from any Selling Stockholder pursuant to any agreement between the Company and such Selling Stockholder with respect to the foregoing.

8. Reimbursement of Underwriters' Expenses. If the Shares are not delivered for any reason other than the termination of this Agreement pursuant to the fifth paragraph of Section 11 hereof or the default by one or more of the Underwriters in its or their respective obligations hereunder, the Company shall, in addition to paying the amounts described in Section 7 hereof, reimburse the Underwriters for all of their reasonably incurred out-of-pocket expenses, including the reasonable fees and disbursements of their counsel.

9. Conditions of Underwriters' Obligations. The several obligations of the Underwriters hereunder are subject to the accuracy of the respective representations and warranties on the part of the Company and each Selling Stockholder on the date hereof, at the time of purchase and, if applicable, at the additional time of purchase, the performance by the Company and each Selling Stockholder of each of their respective obligations hereunder and to the following additional conditions precedent:

(a) The Company shall furnish to you at the time of purchase and, if applicable, at the additional time of purchase (i) an opinion of Wilmer Cutler Pickering Hale and Dorr LLP, counsel for the Company, addressed to the Underwriters, and dated the time of purchase or the additional time of purchase, as the case may be, with executed copies for each of the other Underwriters, and in form and substance satisfactory to the Representatives, in the form set forth in Exhibit B hereto; (ii) an opinion of Wilmer Cutler Pickering Hale and Dorr LLP, special counsel for the Company with respect to matters of U.K. law, addressed to the Underwriters, and dated the time of purchase or the additional time of purchase, as the case may be, with executed copies for each of the other Underwriters, and in form and substance satisfactory to the Representatives, in the form set forth in Exhibit C hereto; (iii) an opinion of Henry I. Schanzer & Associates, special counsel for the Company with respect to patents and proprietary rights, addressed to the Underwriters, and dated the time of purchase or the additional time of purchase, as the case may be, with executed copies for each of the other Underwriters, and in form and substance satisfactory to the Representatives, in the form set forth in Exhibit D hereto; and (iv) an opinion of Fox Rothschild LLP, special counsel for the Company with respect to matters of New Jersey law, addressed to the Underwriters, and dated the time of purchase or the additional time of purchase, as the case may be, with executed copies for each of the other Underwriters, and in form and substance satisfactory to the Representatives, in the form set forth in Exhibit E hereto

(b) You shall have received from KPMG LLP and Deloitte & Touche LLP letters dated, respectively, the date of this Agreement, the date of the Prospectus, the time of purchase and, if applicable, the additional time of purchase, and addressed to the Underwriters (with executed copies for each of the Underwriters) in the forms satisfactory to the Representatives, which letters shall cover, without limitation, the various financial disclosures contained in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any.

(c) You shall have received at the time of purchase and, if applicable, at the additional time of purchase, the favorable opinion of Davis Polk & Wardwell, counsel for the Underwriters, dated the time of purchase or the additional time of purchase, as the case may be, in form and substance reasonably satisfactory to the Representatives.

(d) No Prospectus or amendment or supplement to the Registration Statement or the Prospectus shall have been filed to which you shall have objected in writing.

(e) The Registration Statement, the Exchange Act Registration Statement and any registration statement required to be filed, prior to the sale of the Shares, under the Act pursuant to Rule 462(b) shall have been filed and shall have become effective under the Act or the Exchange Act, as the case may be. If Rule 430A under the Act is used, the Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act at or before 5:30 P.M., New York City time, on the second full business day after the date of this Agreement (or such earlier time as may be required under the Act).

(f) Prior to and at the time of purchase, and, if applicable, the additional time of purchase, (i) no stop order with respect to the effectiveness of the Registration Statement shall have been issued under the Act or proceedings initiated under Section 8(d) or 8(e) of the Act; (ii) the Registration Statement and all amendments thereto shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (iii) none of the Preliminary Prospectuses or the Prospectus, and no amendment or supplement thereto, shall include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading; (iv) no Disclosure Package, and no amendment or supplement thereto, shall include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading; and (v) none of the Permitted Free Writing Prospectuses, if any, shall include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(g) The Company will, at the time of purchase and, if applicable, at the additional time of purchase, deliver to you a certificate of its Chief Executive Officer and its Chief Financial Officer, dated the time of purchase or the additional time of purchase, as the case may be, in the form attached as Exhibit F hereto.

(h) In connection with any sale of Additional Shares by the Selling Stockholders hereunder, the Selling Stockholders shall furnish to you at the additional time of purchase (x) an opinion of Morgan, Lewis & Bockius LLP, counsel for the Selling Stockholder identified on Schedule C annexed hereto as the "Management Stockholder", addressed to the Underwriters, and dated the additional time of purchase with executed copies for each of the other Underwriters, and in form and substance satisfactory to the Representatives, in the form set forth in Exhibit G hereto and an opinion of Fox Rothschild LLP, counsel for the Non-Management Stockholder, addressed to the Underwriters, and dated the additional time of purchase with executed copies for each of the other Underwriters, and in form and substance satisfactory to the Representatives, in the form set forth in Exhibit H hereto, and (y) a certificate signed by a

Representative of the Selling Stockholders, dated the additional time of purchase in the form attached as Exhibit I hereto.

(i) You shall have received each of the signed Lock-Up Agreements referred to in Section 3(t) hereof, and each such Lock-Up Agreement shall be in full force and effect at the time of purchase and the additional time of purchase, as the case may be.

(j) You shall have received satisfactory evidence that the Certificate of Merger evidencing the effectiveness of the merger between Ocean Power Technologies, Inc., a New Jersey corporation, and Ocean Power Technologies, Inc., a Delaware corporation, as the surviving corporation, has been duly filed with (x) the Secretary of State of the State of Delaware and (y) the office of the Treasurer of the State of New Jersey.

(k) The Company shall have furnished to you such other documents and certificates as to the accuracy and completeness of any statement in the Registration Statement, any Preliminary Prospectus, the Prospectus or any Permitted Free Writing Prospectus as of the time of purchase and, if applicable, the additional time of purchase, as you may reasonably request.

(l) The Shares shall have been approved for listing on and for quotation on the NASDAQ, subject only to notice of issuance and evidence of satisfactory distribution at or prior to the time of purchase or the additional time of purchase, as the case may be.

(m) The NASD shall not have raised any objection with respect to the fairness or reasonableness of the underwriting, or other arrangements of the transactions, contemplated hereby.

(n) Each Selling Stockholder shall have furnished to you a copy of its Power of Attorney and Custody Agreement, and such other documents and certificates as to the accuracy and completeness of any statement relating to such Selling Stockholder in the Registration Statement, any Preliminary Prospectus, the Prospectus or any Permitted Free Writing Prospectus as of the additional time of purchase as you may reasonably request.

10. Effective Date of Agreement; Termination. This Agreement shall become effective when the parties hereto have executed and delivered this Agreement.

The obligations of the several Underwriters hereunder shall be subject to termination in the absolute discretion of the Representatives, if (1) since the time of execution of this Agreement or the earlier respective dates as of which information is given in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, there has been any change or any development involving a prospective change in the business, properties, management, financial condition or results of operations of the Company and the Subsidiaries taken as a whole, the effect of which change or development is, in the sole judgment of the Representatives, so material and adverse as to make it impractical or inadvisable to proceed with the public offering or the delivery of the Shares on the terms and in the manner contemplated in the Registration Statement, each Preliminary Prospectus, the

Prospectus and each Permitted Free Writing Prospectus, if any, or (2) since the time of execution of this Agreement, there shall have occurred: (A) a suspension or material limitation in trading in securities generally on the NYSE, the American Stock Exchange or the NASDAQ; (B) a suspension or material limitation in trading in the Company's securities on the NASDAQ; (C) a general moratorium on commercial banking activities declared by either federal or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; (D) a suspension or material limitation in trading in the Company's securities on AIM; (E) an outbreak or escalation of hostilities or acts of terrorism involving the United States or a declaration by the United States of a national emergency or war; or (F) any other calamity or crisis or any change in financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (D), (E) or (F), in the sole judgment of the Representatives, makes it impractical or inadvisable to proceed with the public offering or the delivery of the Shares on the terms and in the manner contemplated in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, or (3) since the time of execution of this Agreement, there shall have occurred any downgrading, or any notice or announcement shall have been given or made of: (A) any intended or potential downgrading or (B) any watch, review or possible change that does not indicate an affirmation or improvement in the rating accorded any securities of or guaranteed by the Company or any Subsidiary by any "nationally recognized statistical rating organization," as that term is defined in Rule 436(g)(2) under the Act.

If the Representatives elect to terminate this Agreement as provided in this Section 10, the Company, the Selling Stockholders and each other Underwriter shall be notified promptly in writing.

If the sale to the Underwriters of the Shares, as contemplated by this Agreement, is not carried out by the Underwriters for any reason permitted under this Agreement, or if such sale is not carried out because the Company or any Selling Stockholder, as the case may be, shall be unable to comply with any of the terms of this Agreement, the Company and the Selling Stockholders shall not be under any obligation or liability under this Agreement (except to the extent provided in Sections 7, 8 and 12 hereof), and the Underwriters shall be under no obligation or liability to the Company or any Selling Stockholder under this Agreement (except to the extent provided in Section 12 hereof) or to one another hereunder.

11. Increase in Underwriters' Commitments. Subject to Sections 9 and 10 hereof, if any Underwriter shall default in its obligation to take up and pay for the Firm Shares to be purchased by it hereunder (otherwise than for a failure of a condition set forth in Section 9 hereof or a reason sufficient to justify the termination of this Agreement under the provisions of Section 10 hereof) and if the number of Firm Shares which all Underwriters so defaulting shall have agreed but failed to take up and pay for does not exceed 10% of the total number of Firm Shares, the non-defaulting Underwriters (including the Underwriters, if any, substituted in the manner set forth below) shall take up and pay for (in addition to the aggregate number of Firm Shares they are obligated to purchase pursuant to Section 10 hereof) the number of Firm Shares agreed to be purchased by all such defaulting Underwriters, as hereinafter provided. Such Shares shall be taken up and paid for by such non-defaulting Underwriters in such amount or amounts as you may designate with the consent of each Underwriter so designated or, in the event no such

designation is made, such Shares shall be taken up and paid for by all non-defaulting Underwriters pro rata in proportion to the aggregate number of Firm Shares set forth opposite the names of such non-defaulting Underwriters in Schedule A annexed hereto.

Without relieving any defaulting Underwriter from its obligations hereunder, the Company agrees with the non-defaulting Underwriters that it will not sell any Firm Shares hereunder unless all of the Firm Shares are purchased by the Underwriters (or by substituted Underwriters selected by you with the approval of the Company or selected by the Company with your approval).

If a new Underwriter or Underwriters are substituted by the Underwriters or by the Company for a defaulting Underwriter or Underwriters in accordance with the foregoing provision, the Company or you shall have the right to postpone the time of purchase for a period not exceeding five business days in order that any necessary changes in the Registration Statement and the Prospectus and other documents may be effected.

The term "Underwriter" as used in this Agreement shall refer to and include any Underwriter substituted under this Section 11 with like effect as if such substituted Underwriter had originally been named in Schedule A annexed hereto.

If the aggregate number of Firm Shares which the defaulting Underwriter or Underwriters agreed to purchase exceeds 10% of the total number of Firm Shares which all Underwriters agreed to purchase hereunder, and if neither the non-defaulting Underwriters nor the Company shall make arrangements within the five business day period stated above for the purchase of all the Firm Shares which the defaulting Underwriter or Underwriters agreed to purchase hereunder, this Agreement shall terminate without further act or deed and without any liability on the part of the Company to any Underwriter and without any liability on the part of any non-defaulting Underwriter to the Company. Nothing in this paragraph, and no action taken hereunder, shall relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

12. Indemnity and Contribution.

(a) The Company agrees to indemnify, defend and hold harmless each Underwriter, its partners, directors and officers, and any person who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and the successors and assigns of all of the foregoing persons, from and against any loss, damage, expense, liability or claim (including the reasonable cost of investigation) which, jointly or severally, any such Underwriter or any such person may incur under the Act, the Exchange Act, the common law or otherwise, insofar as such loss, damage, expense, liability or claim arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company) or arises out of or is based upon any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as any such loss, damage, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in, and in conformity with information concerning such Underwriter furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use in, the Registration Statement or arises out of or is based upon any omission or alleged omission to state a material fact in the Registration Statement in connection with such information, which material fact was not contained in such information and which material fact was required to be stated in such Registration Statement or was necessary to make such information not misleading or (ii) any untrue statement or alleged untrue statement of a material fact included in any Prospectus (the term Prospectus for the purpose of this Section 12 being deemed to include any Preliminary Prospectus, the Prospectus and any amendments or supplements to the foregoing), in any Permitted Free Writing Prospectus, in any "issuer information" (as defined in Rule 433 under the Act) of the Company, which "issuer information" is required to be, or is, filed with the Commission, or in any Prospectus together with any combination of one or more of the Permitted Free Writing Prospectuses, if any, or arises out of or is based upon any omission or alleged omission to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except, with respect to such Prospectus or Permitted Free Writing Prospectus, insofar as any such loss, damage, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in, and in conformity with information concerning such Underwriter furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use in, such Prospectus or Permitted Free Writing Prospectus or arises out of or is based upon any omission or alleged omission to state a material fact in such Prospectus or Permitted Free Writing Prospectus in connection with such information, which material fact was not contained in such information and which material fact was necessary in order to make the statements in such information, in the light of the circumstances under which they were made, not misleading.

(b) Each Selling Stockholder agrees to indemnify, defend and hold harmless each Underwriter, its partners, directors and officers, and any person who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and the successors and assigns of all of the foregoing persons, from and against any loss, damage, expense, liability or claim (including the reasonable cost of investigation) which, jointly or severally, any such Underwriter or any such person may incur under the Act, the Exchange Act, the common law or otherwise, insofar as such loss, damage, expense, liability or claim arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company), or arises out of or is based upon any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as any such loss, damage, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in, and in conformity with information concerning such Underwriter furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use in, the Registration Statement or arises out of or is based upon any omission or alleged omission to state a material fact in the Registration Statement in connection with such information, which material fact was not contained in such information and which material fact was required to be stated in such Registration Statement or was necessary to make such information not misleading, or (ii) any untrue statement or alleged untrue statement of a material fact included in any Prospectus, in any Permitted Free Writing Prospectus, in any "issuer information" (as defined in Rule 433 under the Act) of the Company, which "issuer information" is required to be, or is, filed with the Commission, or in any Prospectus together with any combination of one or more of the Permitted Free Writing Prospectuses, if any, or arises out of or is based upon any omission or alleged omission to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except, with respect to such Prospectus or Permitted Free Writing Prospectus, insofar as any such loss, damage, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in, and in conformity with information concerning such Underwriter furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use in, such Prospectus or Permitted Free Writing Prospectus or arises out of or is based upon any omission or alleged omission to state a material fact in such Prospectus or Permitted Free Writing Prospectus in connection with such information, which material fact was not contained in such information and which material fact was necessary in order to make the statements in such information, in the light of the circumstances under which they were made, not misleading; provided, however, that no Selling Stockholder shall be responsible, pursuant to this Section 12(b), for losses, damages, expenses, liabilities or claims for an amount in excess of the aggregate initial public offering price of the Shares sold by such Selling Stockholder to the Underwriters pursuant hereto; and provided further, that the Non-Management Stockholder shall be responsible, pursuant to this Section 12(b), only for losses, damages, expenses, liabilities or claims arising out of or based upon such untrue statement or omission or allegation thereof relating to the Non-Management Stockholder.

(c) Each Underwriter severally agrees to indemnify, defend and hold harmless the Company, its directors and officers, each Selling Stockholder and any person who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and the successors and assigns of all of the foregoing persons, from and against any loss, damage, expense, liability or claim (including the reasonable cost of investigation) which, jointly or severally, the Company, such Selling Stockholder or any such person may incur under the Act, the Exchange Act, the common law or otherwise, insofar as such loss, damage, expense, liability or claim arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in, and in conformity with information concerning such Underwriter furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use in, the Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company), or arises out of or is based upon any omission or alleged omission to state a material fact in such Registration Statement in connection with such information, which material fact was not contained in such information and which material fact was required to be stated in such Registration Statement or was necessary to make such information not misleading or (ii) any untrue statement or alleged untrue statement of a material fact contained in, and in conformity with information concerning such Underwriter furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use in, a Prospectus or a Permitted Free Writing Prospectus, or arises out of or is based upon any omission or alleged omission to state a material fact in such Prospectus or Permitted Free Writing Prospectus in connection with such information, which material fact was not contained in such information and which material fact was necessary in order to make the statements in such information, in the light of the circumstances under which they were made, not misleading.

(d) If any action, suit or proceeding (each, a "Proceeding") is brought against a person (an "indemnified party") in respect of which indemnity may be sought against the Company, a Selling Stockholder or an Underwriter (as applicable, the "indemnifying party") pursuant to subsection (a), (b) or (c), respectively, of this Section 12, such indemnified party shall promptly notify such indemnifying party in writing of the institution of such Proceeding and such indemnifying party shall assume the defense of such Proceeding, including the employment of counsel reasonably satisfactory to such indemnified party and payment of all fees and expenses; provided, however, that the omission to so notify such indemnifying party shall not relieve such indemnifying party from any liability which such indemnifying party may have to any indemnified party or otherwise. The indemnified party or parties shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless (i) the employment of such counsel shall have been authorized in writing by the indemnifying party (or, in the case such indemnifying party is a Selling Stockholder, by such Selling Stockholder or by a Representative of the Selling Stockholders) in connection with the defense of such Proceeding, (ii) the indemnifying party shall not have, within a reasonable period of time in light of the circumstances, employed counsel to defend such Proceeding, (iii) the indemnifying party does not diligently defend the action after assumption of the defense, or (iv) such indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them which are different from, additional to or in conflict with those available to such indemnifying party (in which case such indemnifying party shall not have the right to direct the defense of such Proceeding on behalf of the indemnified party or parties), in any of which events such fees and expenses shall be borne by such indemnifying party and paid as incurred (it being understood, however, that such indemnifying party shall not be liable for the expenses of more than one separate counsel (in addition to any local counsel) in any one Proceeding or series of related Proceedings in the same jurisdiction representing the indemnified parties who are parties to such Proceeding). The indemnifying party shall not be liable for any settlement of any Proceeding effected without its written consent (or, in the case such indemnifying party is a Selling Stockholder, without the written consent of either such Selling Stockholder or a Representative of the Selling Stockholders) but, if settled with its written consent (or, in the case such indemnifying party is a Selling Stockholder, with the written consent of such Selling Stockholder or of a Representative of the Selling Stockholders), such indemnifying party agrees to indemnify and hold harmless the indemnified party or parties from and against any loss or liability by reason of such settlement. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party (or, where such indemnifying party is a Selling Stockholder, requested such Selling Stockholder or any Representative of the Selling Stockholders) to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second sentence of this Section 12(d), then the indemnifying party agrees that it shall be liable for any settlement of any Proceeding effected without its written consent if (i) such settlement is entered into more than 60 business days after receipt by such indemnifying party (or, where such indemnifying party is a Selling Stockholder, receipt by such Selling Stockholder or by any Representative of the Selling Stockholders) of the aforesaid request, (ii) such indemnifying party shall not have fully reimbursed the indemnified party in accordance with such request prior to the date of such settlement and (iii) such indemnified party shall have given the indemnifying party (or, where such indemnifying party is a Selling Stockholder, given such Selling Stockholder or any Representative of the Selling Stockholders) at least 30 days' prior notice of its intention to settle. No indemnifying party shall, without the prior written consent of the indemnified party (or, where such indemnified party is a Selling Stockholder, the prior written consent of such Selling Stockholder or of any Representative of the Selling Stockholders), effect any settlement of any pending or threatened Proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such Proceeding and does not include an admission of fault or culpability or a failure to act by or on behalf of such indemnified party.

(e) If the indemnification provided for in this Section 12 is unavailable to an indemnified party under subsections (a), (b) and (c) of this Section 12 or insufficient to hold an indemnified party harmless in respect of any losses, damages, expenses, liabilities or claims referred to therein, then each applicable indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, damages, expenses, liabilities or claims (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholders on the one hand and the Underwriters on the other hand from the offering of the Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Stockholders on the one hand and of the Underwriters on the other in connection with the statements or omissions which resulted in such losses, damages, expenses, liabilities or claims, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Stockholders on the one hand and the Underwriters on the other shall be deemed to be in the same respective proportions as the total proceeds from the offering (net of underwriting discounts and commissions but before deducting expenses) received by the Company and the Selling Stockholders, and the total underwriting discounts and commissions received by the Underwriters, bear to the aggregate public offering price of the Shares. The relative fault of the Company and the Selling Stockholders on the one hand and of the Underwriters on the other shall be determined by reference to, among other things, whether the untrue statement or alleged untrue statement of a material fact or omission or alleged omission relates to information supplied by the Company or the Selling Stockholders or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, damages, expenses, liabilities and claims referred to in this subsection shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating, preparing to defend or defending any Proceeding.

(f) The Company, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 12 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in subsection (e) above. Notwithstanding the provisions of this Section 12, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by such Underwriter and distributed to the public were offered to the public exceeds the amount of any damage which such Underwriter has otherwise been required to pay by reason of such untrue statement or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 12 are several in proportion to their respective underwriting commitments and not joint.

(g) The indemnity and contribution agreements contained in this Section 12 and the covenants, warranties and representations of the Company and the Selling Stockholders contained in this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of any Underwriter, its partners, directors or officers or any person (including each partner, officer or director of such person) who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, or by or on behalf of the Company, its respective directors or officers, any Selling Stockholder or any person who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and shall survive any termination of this Agreement or the issuance and delivery of the Shares to be sold by the Company pursuant hereto and the delivery of the Additional Shares to be sold by the Selling Stockholders pursuant hereto. The Company, the Selling Stockholders and each Underwriter agree promptly to notify each other of the commencement of any Proceeding against it and, in the case of the Company, against any of its officers or directors in connection with the issuance and sale of the Shares, or in connection with the Registration Statement, any Preliminary Prospectus, the Prospectus or any Permitted Free Writing Prospectus.

13. Information Furnished by the Underwriters. The statements set forth in the last sentence on the cover page of the Prospectus and the statements set forth in the first paragraph under the subheading "Commissions and Discounts" and the first four paragraphs under the subheading "Price Stabilization, Short Positions" under the caption "Underwriting" in the

Prospectus, only insofar as such statements relate to the amount of selling concession and reallowance or to over-allotment and stabilization activities that may be undertaken by the Underwriters, constitute the only information furnished by or on behalf of the Underwriters, as such information is referred to in Sections 3 and 12 hereof.

14. Notices. Except as otherwise herein provided, all statements, requests, notices and agreements shall be in writing or by telegram or facsimile and, if to the Underwriters, shall be sufficient in all respects if delivered or sent to UBS Securities LLC, 299 Park Avenue, New York, NY 10171-0026, Attention: Syndicate Department; Banc of America Securities LLC, 9 W. 57th Street New York, New York 10019, Attention: Syndicate Department; and Bear, Stearns & Co. Inc., 383 Madison Avenue, New York, New York 10179, Attention: Syndicate Department; and, if to the Company, shall be sufficient in all respects if delivered or sent to the Company at the offices of the Company at 1590 Reed Road, Pennington, New Jersey 08534, Attention: Dr. George W. Taylor, Chairman & Chief Executive Officer (facsimile: 609-730-0404); and, if to any Selling Stockholder, shall be sufficient in all respects if delivered or sent to either Representative of the Selling Stockholders in care of the Company at the offices of the Company as aforesaid.

15. Governing Law; Construction. This Agreement and any claim, counterclaim or dispute of any kind or nature whatsoever arising out of or in any way relating to this Agreement ("Claim"), directly or indirectly, shall be governed by, and construed in accordance with, the laws of the State of New York. The section headings in this Agreement have been inserted as a matter of convenience of reference and are not a part of this Agreement.

16. Submission to Jurisdiction. Except as set forth below, no Claim may be commenced, prosecuted or continued in any court other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, which courts shall have jurisdiction over the adjudication of such matters, and the Company and the Selling Stockholders consent to the jurisdiction of such courts and personal service with respect thereto. The Company and the Selling Stockholders hereby consent to personal jurisdiction, service and venue in any court in which any Claim arising out of or in any way relating to this Agreement is brought by any third party against any Underwriter or any indemnified party. Each Underwriter, the Company (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates) and each Selling Stockholder waives all right to trial by jury in any action, proceeding or counterclaim (whether based upon contract, tort or otherwise) in any way arising out of or relating to this Agreement. The Company and the Selling Stockholders agree that a final judgment in any such action, proceeding or counterclaim brought in any such court shall be conclusive and binding upon the Company and each Selling Stockholder and may be enforced in any other courts to the jurisdiction of which the Company or any Selling Stockholder is or may be subject, by suit upon such judgment.

17. Parties at Interest. The Agreement herein set forth has been and is made solely for the benefit of the Underwriters, the Company and the Selling Stockholders and to the extent provided in Section 12 hereof the controlling persons, partners, directors and officers referred to in such Section, and their respective successors, assigns, heirs, personal representatives and

executors and administrators. No other person, partnership, association or corporation (including a purchaser, as such purchaser, from any of the Underwriters) shall acquire or have any right under or by virtue of this Agreement.

18. No Fiduciary Relationship. The Company and the Selling Stockholders hereby acknowledge that the Underwriters are acting solely as underwriters in connection with the purchase and sale of the Company's securities. The Company and the Selling Stockholders further acknowledge that the Underwriters are acting pursuant to a contractual relationship created solely by this Agreement entered into on an arm's length basis, and in no event do the parties intend that the Underwriters act or be responsible as a fiduciary to the Company, its management, stockholders or creditors, any Selling Stockholder or any other person in connection with any activity that the Underwriters may undertake or have undertaken in furtherance of the purchase and sale of the Company's securities, either before or after the date hereof. The Underwriters hereby expressly disclaim any fiduciary or similar obligations to the Company or any Selling Stockholder, either in connection with the transactions contemplated by this Agreement or any matters leading up to such transactions, and the Company and the Selling Stockholders hereby confirm their understanding and agreement to that effect. The Company, the Selling Stockholders and the Underwriters agree that they are each responsible for making their own independent judgments with respect to any such transactions and that any opinions or views expressed by the Underwriters to the Company or any Selling Stockholder regarding such transactions, including, but not limited to, any opinions or views with respect to the price or market for the Company's securities, do not constitute advice or recommendations to the Company or any Selling Stockholder. The Company and the Selling Stockholders hereby waive and release, to the fullest extent permitted by law, any claims that the Company or any Selling Stockholder may have against the Underwriters with respect to any breach or alleged breach of any fiduciary or similar duty to the Company or any Selling Stockholder in connection with the transactions contemplated by this Agreement or any matters leading up to such transactions.

19. Counterparts. This Agreement may be signed by the parties in one or more counterparts which together shall constitute one and the same agreement among the parties.

20. Successors and Assigns. This Agreement shall be binding upon the Underwriters and the Company and the Selling Stockholders and their successors and assigns and any successor or assign of any substantial portion of the Company's, any Selling Stockholder's and any of the Underwriters' respective businesses and/or assets.

21. Miscellaneous. UBS Securities LLC ("UBS"), an indirect, wholly owned subsidiary of UBS AG, is not a bank and is separate from any affiliated bank, including any U.S. branch or agency of UBS AG. Because UBS is a separately incorporated entity, it is solely responsible for its own contractual obligations and commitments, including obligations with respect to sales and purchases of securities. Securities sold, offered or recommended by UBS are not deposits, are not insured by the Federal Deposit Insurance Corporation, are not guaranteed by a branch or agency, and are not otherwise an obligation or responsibility of a branch or agency.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGES FOLLOW]

If the foregoing correctly sets forth the understanding among the Company, the Selling Stockholders and the several Underwriters, please so indicate in the space provided below for that purpose, whereupon this Agreement and your acceptance shall constitute a binding agreement among the Company, the Selling Stockholders and the Underwriters, severally.

Very truly yours,

OCEAN POWER TECHNOLOGIES INC.

By:

Name:

Title:

THE SELLING STOCKHOLDERS NAMED IN
SCHEDULE C HERETO

By:

Name:

Title: Attorney-in-Fact

Accepted and agreed to as of the date
first above written, on behalf of
themselves and the other several
Underwriters named in Schedule A
annexed hereto

UBS SECURITIES LLC
BANC OF AMERICA SECURITIES LLC
BEAR, STEARNS & CO. INC.

By: UBS SECURITIES LLC

By: --------------------------------
Name: ------------------------------
Title: -----------------------------

By: --------------------------------
Name: ------------------------------
Title: -----------------------------

By: BANC OF AMERICA SECURITIES LLC

By: --------------------------------
Name: ------------------------------
Title: -----------------------------

By: BEAR, STEARNS & CO. INC.

By: --------------------------------
Name: ------------------------------
Title: -----------------------------

SCHEDULE A

Underwriter	Number of Firm Shares
UBS SECURITIES LLC	
BANC OF AMERICA SECURITIES LLC	
BEAR, STEARNS & CO. INC	
FIRST ALBANY CAPITAL INC	
Total	

SCHEDULE B

[List any Permitted Free Writing Prospectuses]

SCHEDULE C

	Number of Firm Shares	Number of Additional Shares
Company	[# of firm shares from company]	[# of company additional shares]
Selling Stockholders		
JoAnne E. Burns (the "Non-Management Stockholder")	0	[____]
Charles F. Dunleavy (the "Management Stockholder")	0	[____]
Total	[# of firm shares]	[# of additional shares]

EXHIBIT A

Lock-Up Agreement

_____, 2007

UBS Securities LLC
Banc of America Securities LLC
Bear, Stearns & Co. Inc.
as Representatives of the several Underwriters

c/o UBS Securities LLC
299 Park Avenue
New York, New York 10171-0026

Banc of America Securities LLC
9 W. 57th Street
New York, New York 10019

Bear, Stearns & Co. Inc.
383 Madison Avenue
New York, New York 10179

Ladies and Gentlemen:

This Lock-Up Agreement is being delivered to you in connection with the proposed Underwriting Agreement (the "Underwriting Agreement") to be entered into by OCEAN POWER TECHNOLOGIES INC., a New Jersey corporation, which is contemplating reincorporating in the State of Delaware by merger or otherwise (the New Jersey corporation and the Delaware successor entity, if any, collectively the "Company"), the Selling Stockholders named therein and you and the other underwriters named in Schedule A annexed to the Underwriting Agreement, with respect to the public offering (the "Offering") of common stock, $0.001 par value per share, of the Company (the "Common Stock").

In order to induce you to enter into the Underwriting Agreement, the undersigned agrees that, for a period (the "Lock-Up Period") beginning on the date hereof and ending on, and including, the date that is 180 days after the date of the final prospectus relating to the Offering, the undersigned will not, without the prior written consent of UBS Securities LLC, Banc of America Securities LLC and Bear, Stearns & Co. Inc., (i) sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly, or file (or participate in the filing of) a registration statement with the Securities and Exchange Commission (the "Commission") in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder (the "Exchange Act") with respect to, any Common Stock or any other securities of the Company that are substantially similar to Common Stock, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of

Common Stock or any other securities of the Company that are substantially similar to Common Stock, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, whether any such transaction is to be settled by delivery of Common Stock or such other securities, in cash or otherwise or (iii) publicly announce an intention to effect any transaction specified in clause (i) or (ii). The foregoing sentence shall not apply to (a) the registration of the offer and sale of Common Stock as contemplated by the Underwriting Agreement and the sale of the Common Stock to the Underwriters (as defined in the Underwriting Agreement) in the Offering, (b) bona fide gifts, provided the recipient thereof agrees in writing with the Underwriters to be bound by the terms of this Lock-Up Agreement or (c) transfers or dispositions to any trust for the direct or indirect benefit of the undersigned and/or the immediate family of the undersigned, provided that such trust agrees in writing with the Underwriters to be bound by the terms of this Lock-Up Agreement. For purposes of this paragraph, "immediate family" shall mean the undersigned and the spouse, any lineal descendent, father, mother, brother or sister of the undersigned.

Notwithstanding anything herein to the contrary, the preceding paragraph shall not apply to the sale of Additional Shares by any Selling Stockholder to the Underwriters pursuant to the Underwriting Agreement.

In addition, the undersigned hereby waives any rights the undersigned may have to require registration of Common Stock in connection with the filing of a registration statement relating to the Offering. The undersigned further agrees that, for the Lock-Up Period, the undersigned will not, without the prior written consent of UBS Securities LLC, Banc of America Securities LLC and Bear, Stearns & Co. Inc., make any demand for, or exercise any right with respect to, the registration of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, or warrants or other rights to purchase Common Stock or any such securities.

Notwithstanding the above, if (a) during the period that begins on the date that is fifteen (15) calendar days plus three (3) business days before the last day of the Lock-Up Period and ends on the last day of the Lock-Up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs; or (b) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results during the sixteen (16) day period beginning on the last day of the Lock-Up Period, then the restrictions imposed by this Lock-Up Agreement shall continue to apply until the expiration of the date that is fifteen (15) calendar days plus three (3) business days after the date on which the issuance of the earnings release or the material news or material event occurs.

In addition, the undersigned hereby waives any and all preemptive rights, participation rights, resale rights, rights of first refusal and similar rights that the undersigned may have in connection with the Offering or with any issuance or sale by the Company of any equity or other securities before the Offering (including any such right arising pursuant to any agreement with Evolution Beeson Gregory Limited or any other agreement, obligation or undertaking made by or on behalf of the Company in connection with the admission of the Common Stock to trading on AIM), except for any such rights as have been heretofore duly exercised.

The undersigned hereby confirms that the undersigned has not, directly or indirectly, taken, and hereby covenants that the undersigned will not, directly or indirectly, take, any action designed, or which has constituted or will constitute or might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of shares of Common Stock.

In furtherance of the foregoing, the Company and its transfer agent and registrar are hereby authorized to decline to make any transfer of Common Stock if such transfer would constitute a violation or breach of this Lock-Up Agreement. The undersigned agrees and consents to the entry of stock transfer instructions with the Company's transfer agent and registrar against the transfer of Common Stock except in compliance with this Lock-Up Agreement.

The undersigned understands that the Company and the Underwriters are relying upon this Lock-Up Agreement in proceeding toward consummation of the Offering. The undersigned further understands that this Lock-Up Agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors and assigns.

Whether or not the Offering actually occurs depends on a number of factors, including market conditions. Any Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation among the Company and the Underwriters.

* * *

If (i) the Company notifies you in writing that it does not intend to proceed with the Offering, (ii) the registration statement filed with the Commission with respect to the Offering is withdrawn, (iii) for any reason the Underwriting Agreement shall be terminated prior to the "time of purchase" (as defined in the Underwriting Agreement) or (iv) the registration statement filed with the Commission with respect to the Offering is not declared effective by June 30, 2007, this Lock-Up Agreement shall be terminated and the undersigned shall be released from its obligations hereunder. This Lock-Up Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Very truly yours,

Name:

EXHIBIT A-1

LIST OF PARTIES TO EXECUTE LOCK-UP AGREEMENTS

Name	Position
1. Dr. George W. Taylor	Chief Executive Officer and Director
2. Charles F. Dunleavy	Chief Financial Officer, Senior Vice President, Treasurer, Secretary and Director, and a Selling Stockholder
3. Mark R. Draper	Chief Executive and Director of Ocean Power Technologies, Ltd.
4. John A. Baylouny	Senior Vice President, Engineering
5. Sir Eric A. Ash	Director
6. Thomas J. Meaney	Director
7. Seymour S. Preston III	Chairman of the Board of Directors
8. JoAnne E. Burns	Selling Stockholder
9. Paul Ammann	Employee
10. Stephen Berkowitz	Employee
11. Stuart Charles Bower	Employee
12. Diana Bull	Employee
13. Mike Flanagan	Employee
14. Gilbert George	Employee
15. James Gerber	Employee
16. Kerry Guarino	Employee
17. David Hawke	Employee
18. Brian Henry	Employee
19. Fraser Johnson	Employee

Name	Position
20. Paul Jordan	Employee
21. Patrick Keenan	Employee
22. Meg Koppel	Employee
23. Marco LaValva	Employee
24. Timothy Liska	Employee
25. Lorren Livingston	Employee
26. Mary Mikula	Employee
27. Rachel Mitchell	Employee
28. Deborah Montagna	Employee
29. Harold Murphy	Employee
30. Charles Pantano	Employee
31. Chris Phelan	Employee
32. William Powers	Employee
33. Thomas Sabol	Employee
34. Paul Smalser	Employee
35. David Stewart	Employee
36. Linda Stitt	Employee
37. Kate Taylor	Employee
38. Jeff Tirpak	Employee
39. Joseph Troutman	Employee
40. Alan Waranis	Employee
41. Laura Woods	Employee

(WILMERHALE LOGO)

EXHIBIT B

(WILMERHALE LOGO)

SCHEDULE A

Other Information Included in the Disclosure Package

SCHEDULE B

Jurisdiction of Incorporation	Date of Certificate of Public Official
Delaware	

Jurisdictions of Foreign Qualification	Date of Certificate of Public Official
New Jersey	

EXHIBIT C

OPINION OF WILMER CUTLER PICKERING HALE AND DORR LLP

EXHIBIT D

OPINION OF HENRY I. SCHANZER & ASSOCIATES

EXHIBIT E

OPINION OF FOX ROTHSCHILD LLP

EXHIBIT F

OFFICERS' CERTIFICATE

Each of the undersigned, Dr. George W. Taylor, Chairman & Chief Executive Officer of OCEAN POWER TECHNOLOGIES INC., a Delaware corporation (the "Company"), and Charles F. Dunleavy, Chief Financial Officer of the Company, on behalf of the Company, does hereby certify pursuant to Section 7(g) of that certain Underwriting Agreement dated _____, 2007 (the "Underwriting Agreement") among the Company and, on behalf of the several Underwriters named therein, UBS Securities LLC, Banc of America Securities LLC and Bear, Stearns & Co. Inc., that as of _____, 2007:

1. He has reviewed the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus.

2. The representations and warranties of the Company as set forth in the Underwriting Agreement are true and correct as of the date hereof and as if made on the date hereof.

3. The Company has performed all of its obligations under the Underwriting Agreement as are to be performed at or before the date hereof.

4. The conditions set forth in paragraph (f) of Section 7 of the Underwriting Agreement have been met.

Capitalized terms used herein without definition shall have the respective meanings ascribed to them in the Underwriting Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands on this __ day of _____, 2007.

Name: Dr. George W. Taylor
Title: Chairman & Chief Executive Officer

Name: Charles F. Dunleavy
Title: Chief Financial Officer

EXHIBIT G

OPINION OF MORGAN, LEWIS & BOCKIUS LLP

EXHIBIT H

OPINION OF FOX ROTHSCHILD LLP

EXHIBIT I

CERTIFICATE OF A REPRESENTATIVE OF THE SELLING STOCKHOLDERS

The undersigned, _____, on behalf of each Selling Stockholder (as defined in the Underwriting Agreement referred to below), does hereby certify pursuant to Section 9(i) of that certain Underwriting Agreement dated _____, 2007 (the "Underwriting Agreement") among OCEAN POWER TECHNOLOGIES INC., a New Jersey corporation (the "Company"), the Selling Stockholders named therein and, on behalf of the several Underwriters named therein, UBS Securities LLC, Banc of America Securities LLC and Bear, Stearns & Co. Inc., that as of _____, 2007:

1. Each Selling Stockholder has reviewed the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus.

2. The representations and warranties of each Selling Stockholder as set forth in the Underwriting Agreement are true and correct as of the date hereof and as if made on the date hereof.

3. Each Selling Stockholder has performed all of his or her obligations under the Underwriting Agreement as are to be performed at or before the date hereof.

Capitalized terms used herein without definition shall have the respective meanings ascribed to them in the Underwriting Agreement.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand on this __ day of _____, 2007 on behalf of each Selling Stockholder.

THE SELLING STOCKHOLDERS NAMED IN SCHEDULE C ANNEXED TO THE UNDERWRITING AGREEMENT

By: [REPRESENTATIVE], Attorney-in-Fact

Name:

Title:

Exhibit 10.1

Confidential Materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

ENGINEERING, PROCUREMENT AND CONSTRUCTION OF A WAVE ENERGY POWER PLANT

AT

"PUNTA DEL PESCADOR"

(SANTONA, SPAIN)

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ANNEXES

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ANNEX III: TECHNICAL SPECIFICATIONS OF EQUIPMENT

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ANNEX V: SCHEDULE OF MILESTONE

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ANNEX VIII: PERFORMANCE BOND

ANNEX IX: TECHNICAL DOCUMENTATION

ANNEX X: COMMISSIONING PROTOCOL

ANNEX XI: LIST OF SUBCONTRACTORS

ANNEX XII: LIST OF AUTHORIZATIONS AND PERMITS WHICH MUST BE OBTAINED BY THE CLIENT AND TIMELINE

ANNEX XIII: LOCATION OF THE PLANT

ANNEX XIV: PREDICTED TECHNICAL PERFORMANCE

Agreement for the Engineering, Procurement and Construction of a Wave Energy Power Plant

Made and entered into in Madrid on July 27, 2006.

BETWEEN

OF THE ONE PART,

IBERDROLA ENERGIAS MARINAS DE CANTABRIA, S.A., with registered offices in Santander, Cantabria, calle Amos de Escalante, number 6, 2 B, represented by Mr. Roberto Legaz Poignon with Spanish Identification Document number 72013299-T and Mr. Rafael de Icaza de La Sota with Spanish Identification Document number 16.035.858-M, in their capacity as Directors, as accredited by means of the deed of incorporation of the company signed on this date before the Notary of Madrid Mr. Miguel Ruiz-Gallardon Garcia de la Rasilla (the "CLIENT").

AND, OF THE OTHE PART,

OCEAN POWER TECHNOLOGIES LIMITED, a company incorporated in England and Wales Company No. 5225532) with its registered office at Warwick Innovation Centre, Gallows Hill, Warwick CV34 6UW, United Kingdom, represented by Mr. Mark Draper, with UK Passport number 029929083, in his capacity as Director of the company (the "CONTRACTOR").

The CLIENT and the CONTRACTOR shall hereinafter be referred to collectively as the "PARTIES", and individually as "PARTY".

WHEREAS

I. Whereas, IBERENOVA, OPT, SODERCAN and IDAE have entered in an agreement dated on July 2nd, 2004 in respect of a power plant harnessing Wave Energy in Cantabria at "Punta del Pescador", near Santona, Spain (the "SANTONA WAVE ENERGY AGREEMENT"). Through this agreement, the parties thereto wanted to assess the facility and the formalities as well as to confirm the viability of the project at the site ("PHASE 1") and set the rules for executing such a project of its viability and profitability were confirmed.

II. Whereas, TOTAL which was interested in participating in the Santona Wave Energy Agreement has joined the Santona Wave Energy Agreement by signing its modification on June 17th, 2005.

III. Whereas, in January 2006 the Parties have agreed that Phase 1 had been completed.

IV. Whereas, Phase 2A of the Santona Wave Energy Project consists of the construction of a pilot plant of an initial power of one (01) 40 kW PB40ES PowerBuoy, its mooring system, the underwater substation and submarine cable both with capacity for energy evacuation of this PowerBuoy(TM) and other nine (9) 150kW PB150 PowerBuoys(TM) and all other ancillary equipment and services required to provide a complete installation of the PowerBuoy(TM) 1 x 40KW PB40ES as defined in Annex I.

V. Whereas, the CLIENT resolved to sign this agreement with the CONTRACTOR, given that the latter declares to have the necessary skill, knowledge and experience for the required works to be executed in Phase 2A.

In virtue of the aforesaid, the Parties hereby execute this agreement for the Engineering, Procurement and Construction of a Wave Energy Power Plant (the "AGREEMENT"), which will be governed by the following,

CLAUSES

1. DEFINITIONS

1.1 For purposes of this Agreement, the following terms shall have the meaning set forth beside each of them (such meanings to be equally applicable to both the singular and plural forms of the terms defined).

AGREEMENT	Means this agreement together with all of its Annexes.
AGREED PRICE	Means the compensation due by the CLIENT to the CONTRACTOR for the entire and satisfactory execution of the Works determined pursuant to Clause 18 of this Agreement that shall be paid to the CONTRACTOR according to the Schedule of

	Milestones.
BUSINESS DAY	Means any day that is not a Saturday, Sunday or holiday (whether a national, regional or local holiday) in Madrid and Cantabria.
CALENDAR	Means the timeline for execution of the Works contained in Annex II.
CERTIFICATE OF COMPLETION OF COMMISSIONING	Means the certificate issued by the Contractor's Representative which accredits that the Commissioning Period is finalized and the Plant is ready for Provisional Acceptance pursuant to Clause 9 of this Agreement.
CERTIFICATE OF COMPLETION OF INSTALLATION	Means the certificate issued by the Contractor's Representative which accredits that the Plant is ready for commissioning.
CLIENT'S REPRESENTATIVE	Means the representative of the Client as designated in Clause 26 of this agreement.
COMMISSIONING PERIOD	Period commencing upon issue of the Certificate of Completion of Installation and finished at the signature of the Provisional Acceptance Certificate.
CONTRACTOR'S REPRESENTATIVE	Means the person appointed by the CONTRACTOR in this Agreement under Clause 27.1, who acts on behalf of the CONTRACTOR.
DAY	Means a calendar day.
DEFINITIVE ACCEPTANCE CERTIFICATE	Document to be signed by the Client and the Contractor after conclusion of Testing Period in accordance with Clause 10. A draft of this document is included in Annex VII.
EQUIPMENT	Means the equipment and/or materials supplied by the

	CONTRACTOR and falling within the scope of this Agreement, as defined in Clause 3 and the related Annexes.
EURIBOR	Means the interest rate applicable among the banks published in Brussels for the three months deposits in Euros as it is defined daily in the Telerate screen, page 248, 11:00 morning time (central Europe time), the second banking day previous to the beginning of every period in which the Automatic Paying System is operative in Trans European Real Time TARGET. This rate shall be increased, as the case may be, with any costs, surcharges, taxes, etc, as duly supported by documents, which are referred to in the EURIBOR definition.
FINAL COMMISSIONING PROTOCOL	Means the Commissioning Protocol delivered by the CONTRACTOR to the CLIENT at least one month prior to the scheduled date for commencement of the commissioning.
FORCE MAJEURE	Means any event or fact as described in Clause 24 of this Agreement.
IBERENOVA	Means Iberdrola Energias Renovables II S.A. Sociedad Unipersonal, a company incorporated and validly existent under the laws of Spain; registered with the Madrid Commercial Registry, at Section 8, Page 285710; Tax Identification Number (C.I.F.) A-83028035, with registered office at Madrid, Calle Tomas Redondo, number 1.
IDAE	Means Instituto para la Diversificacion y Ahorro de la Energia, S.A., public entity ascribed to the Ministry of

	Industry, Tourism and Commerce through the General Secretary of Energy, with domicile in Madrid, at Calle Madera number 8 and CIF number Q 2820009 E.
INDEPENDENT EXPERT	Means the qualified specialist appointed by the School of Industrial Engineers of Madrid or the Institute of Mechanical Engineers or Electrical Engineers in London, U.K. upon request by either Party.
INSURANCE SCHEDULE	Means the required policies that the CONTRACTOR must take out and maintain under this Agreement.
INTELLECTUAL AND INDUSTRIAL PROPERTY	Means all (i) trademarks, trade names, Internet domain names, logos, symbols, all applications and registrations for the foregoing, and all goodwill associated therewith and symbolized thereby; (ii) patents, utility models, registrations, invention disclosures and applications therefore, including divisions, continuations, continuations-in-part and including renewals, extensions and reissues and all inventions and discoveries whether patentable or not; (iii) published and unpublished works of authorship, whether copyrightable or not (including databases and other compilations of information), Copyrights therein and thereto, and registrations and applications therefore, and all renewals, extensions, restorations and reversions thereof; and (iv) other industrial and intellectual property or proprietary rights; concerning the Plant and the PowerBuoy(TM) system.
KNOW HOW	Means all the information, trade secrets, documents, technical data, technical knowledge, including processes, schematics, business methods, formulae, drawings, prototypes, models, designs, quality control

	systems, quality standards and specifications developed or acquired by the CONTRACTOR, presently or in the future, concerning the Plant and the PowerBuoy(TM) system, or its design, construction, commissioning, use, exploitation and assembling.
MAJOR DEFECTS	Means such defects that could affect the production of energy by the Plant and/or the safety of the Plant and/or of the people working therein.
MILESTONE	Means the relevant stages of progress of the Works as described under the Schedule of Milestones and Calendar.
MINOR DEFECTS	Means such material defects that are not Major Defects.
NOTICE OF APPROVAL	Means the document issued by the Client under Clause 19.2 (i) of this Agreement.
NOTICE OF COMPLETION	Means the communication sent by the Contractor to the Client under clause 19.2 (i) which accredits the completion of a Milestone.
NOTICE OF PENDING WORKS	Means the document issued by the Client under Clause 19.2(ii) of this Agreement.
OPT	Means Ocean Power Technologies, Inc., a company incorporated and validly existent under the laws of New Jersey, USA; with registered office at 1590 Reed Road, Pennington, NJ, USA.
ORDER FOR CHANGE	Means the document signed by both the Client and the Contractor for a given modification of the Works under clauses 11.1 or 11.2 of this Agreement.
PARTIES	Means the Client and the Contractor jointly.

PARTY	Means the Client or the Contractor, as the context may require.
PHASE 1	Means Phase 1 of the Santona Wave Energy Project as defined in Recital 1 of this Agreement in which the parties to the Project have studied and decided about the viability of the Project at the Site.
PHASE 2A	Means Phase 2A of the Santona Wave Energy Project as defined in Recital IV of this Agreement, consisting of the design, manufacture, factory tests, dispatch and unloading, ex works delivery, assembly and commissioning of the PowerBuoy(TM) 1 x 40kW PB40ES, its mooring system, the underwater substation and submarine cable both with capacity for energy evacuation of this PowerBuoy(TM) and other nine (9) 150kW PB150 PowerBuoys(TM) and all other ancillary equipment and services required to provide a complete installation of the PowerBuoy(TM) 1 x 40kW PB40ES. All as described in Annex 1.
PHASE 2B	Means Phase 2B of the Santona Wave Energy Project consisting of the design, manufacture, factory tests, dispatch and unloading, ex-works delivery, assembly and commissioning of the nine PowerBuoys(TM) 9 x 150kW PB150, their mooring systems, submarine cables and all other ancillary equipment and services required to provide a complete installation of the PowerBuoys(TM).
PLANT	Means the wave power pilot plant PowerBuoy(TM) 1 x 40kW PB40ES, its mooring system as well as the underwater substation and submarine cable (both with capacity for energy evacuation of this PowerBuoy(TM) and other nine (9) 150kW PB150 PowerBuoys(TM).

POWERBUOY(TM)	Means the Technology owned by the Contractor.
PRELIMINARY COMMISSIONING PROTOCOL	Means the Commissioning Protocol attached to the Agreement as Annex X.
PROVISIONAL ACCEPTANCE CERTIFICATE OR PAC	Document to be signed by the Client and the Contractor to put on record the satisfactory completion of the Commissioning Protocol, including all Minor Defects that the Contractor must remedy within the Testing Period. A draft of this Document is included in Annex VI.
SANTONA WAVE ENERGY AGREEMENT	Means the agreement signed on July 2, 2004 by OPT, IBERENOVA, SODERCAN, and IDAE, and modified on June 17, 2005 to include TOTAL as a party.
SANTONA WAVE ENERGY PROJECT OR SWEP	Means the pilot project consisting of a power plant harnessing wave energy with an initial installed capacity of 1.39 MW on the north coast of Spain based on the Technology.
SCHEDULE OF MILESTONES	Means the schedule describing the progress of the Works and the timeline for payment of the Agreed Price contained in Annex V.
SITE	Means the place where the Plant will be installed located at the coast opposite the "Punta del Pescador" lighthouse in Santona, in the Cantabrian region in Spain, as specified in Annex XIII.
SODERCAN	Means Sociedad para el Desarrollo Regional de Cantabria, S.A., a company incorporated and validly existent under the laws of Spain by virtue of its

	incorporation deed granted on December 15, 1984 before the Notary of Santander, Mr. Jose Antonio Olascoega, with number 1271 of his public protocol; registered with the Cantabria Commercial Registry, at Volume 296, Book 101, Sheet 60 and Page S-1751; Tax Identification Number (C.I.F) A-3904457, with registered office at Santander, Avenida de Los Infantes, 32, "Quinta Labat".
SPV	Means the public limited company created by IBERENOVA, IDAE, OPT, SODERCAN and TOTAL for the construction and operation of the Santona Wave Project as agreed under the Santona Wave Energy Agreement.
SUBCONTRACTORS	All firms or individuals contracted by the CONTRACTOR to do part of the Works contemplated in this Agreement.
TAXES	Means any taxes, rates, special levies ("contribuciones especiales"), charges ("exacciones parafiscales") or any other encumbrance of tax nature, required by any administrative authority, including surcharges, interests and penalties.
TECHNICAL DOCUMENTATION	Means the documents, workshop plans, calculations and sketches listed in Annex IX of this Agreement.
TECHNOLOGY	Means the technology for electricity generation harnessing the energy produced by the waves called PowerBuoy(TM) system owned by the CONTRACTOR. In particular, it means all the Know How and Intellectual and Industrial Property related to the PowerBuoy(TM) system, including the moorings and the

	underwater substation.
TESTING PERIOD	Means Six months including three months between October and March (inclusive), plus any extensions made hereunder. Period commencing upon signature of the Provisional Acceptance and finishing at the signature of the Definitive Acceptance Certificate.
TIME FOR COMPLETION	Means the period of time for the Contractors' completing the assembly, installation and commissioning of the Plant according to this Agreement.
TOTAL	Means Total Eolica S.A., a company incorporated and validly existent under the laws of Spain; registered with the La Coruna Commercial Registry, at Section 8, Page 25547; Tax Identification Number (C.I.F) A-15745706, with registered office at Avenida Fernando de Casas Novoa, number 37, planta B, 3 degrees A.
WORKS	Means all actions, work and services for the supply, construction and commissioning of the Plant described in Clause 3 of this Agreement.

1.2 Other terms may be defined in other clauses of this Agreement.

2. OBJECT

2.1 The object of this Agreement is the supply, construction and commissioning of the Plant, including the design, manufacture, factory tests, transport, dispatch and unloading, ex works delivery, civil works, assembly and commissioning and all other ancillary equipment and services required to provide a complete installation of the Plant, all as included in Phase 2A of the Santona Wave Energy Project and detailed in Annex I.

2.2 The CONTRACTOR undertakes to apply all reasonable efforts to complete the supply, construction and commissioning of the Plant within the Time for Completion as may be adjusted according to the terms of this Agreement and the Calendar contained in Annex II.

2.3 The design of the equipment included in Phase 2A that will be used for Phase 2B will endeavour to comply also with technical requirements of Phase 2B equipment.

2.4 The CONTRACTOR shall be responsible for transport of the Equipment to the Site and all related expenses, insurance and duties shall be for the account of the CONTRACTOR.

2.5 The Equipment supplied hereunder shall generally comply with the requirements set forth in Annex III.

2.6 In general, the Works shall be performed in accordance with the rules of good practice, with the utmost diligence, care and professionalism.

3. SCOPE

3.1 The CONTRACTOR shall perform the Works and shall deliver the Equipment according to the Technical Documentation detailed in Annex IX.

3.2 The Parties expressly declare that this is an Turnkey Contract, which means that the CONTRACTOR will carry out all and any actions or services that may be necessary (although not expressly mentioned in the Agreement) for completion of the Works to meet the terms of stipulated herein and those attached in Annex II, and all applicable standards, regulations and codes, shall be deemed included within the scope of this Agreement, even though they may not have been expressly mentioned in this Agreement or Annexes hereto. Anything without which the Plant would not be in adequate condition for normal operation shall be deemed necessary.

3.3 The terminal points of the Plant are the following:

- Submarine cable: submarine cable at the entrance of the onshore substation or cable vault if required. Such onshore substation and/or cable vault to be supplied by the CLIENT, and no more than approximately [**] meters from high water level at the beach.

- SCADA System: up to and including the control panel, PLCs and monitor within the onshore substation.

4. DOCUMENTATION

4.1 The CONTRACTOR shall deliver to the CLIENT the Technical Documentation listed in Annex IX, within the times and on the terms stipulated therein and according to this Clause.

4.2 Upon signing the Provisional Acceptance Certificate, the CONTRACTOR shall hand over the "as built" documents of the Equipment in accordance with Annex IX, and any other documentation as may be agreed between the Parties, all the documents generated during commissioning, including any modifications based on reasonable written comments made by the CLIENT and agreed by the CONTRACTOR on the Provisional Acceptance.

4.3 The CONTRACTOR shall keep at the disposal of the CLIENT a full set of the Technical Documentation by number, title, version and date of issue and all other documents required from the CONTRACTOR under this Agreement.

4.4 The CONTRACTOR shall bear all expenses related to the preparation of the Technical Documentation.

4.5 For the purposes of Clause 4.1 above, the CONTRACTOR shall deliver to the CLIENT a total of three (3) copies and a set on magnetic data carrier of the Technical Documentation, which shall be in Spanish or English. All technical translations shall be done by professional translators.

4.6 The CLIENT shall formally provide its approval or any reasonable comments to the Technical Documentation within [**] days of receiving the documents. If the CLIENT fails to respond without a reasonable justification within this period it shall be responsible for any damages or delays arising therefrom for the CONTRACTOR, who shall pursue with the Works that do not require such approval. The time limit for introducing any modifications in response to formal comments that may arise shall be agreed between the Parties, but may under no circumstances be more than a further [**] days. Approval, the insertion of modifications or lack of response shall not exempt the CONTRACTOR from its further obligations and liabilities under this Agreement.

5. INDUSTRIAL INTELLECTUAL PROPERTY

5.1 The CONTRACTOR grants to the CLIENT, who accepts, free of charge, a non-exclusive and irrevocable license to use the Technology for (a) the construction and commissioning of the Plant by the CONTRACTOR; and (b) the future use and exploitation of the Plant subject to the terms of this Agreement. The CLIENT shall only use the Technology in connection with the Plant.

5.2 The CLIENT acknowledges and agrees that any and all rights to the Technology, whether copyrightable or patentable or not, are the exclusive property of the CONTRACTOR, or the CONTRACTOR has the right to use it and grant licenses, and this Agreement creates on the CLIENT no right on such Technology other than the license granted by this Agreement, and subject to the terms and restrictions contained hereunder.

5.3 The CONTRACTOR holds all Intellectual and Industrial Property over its own Technology.

5.4 The CLIENT, by virtue of this Agreement shall not acquire any rights over the trade marks, "know-how", business secrets, trade names, information, documentation or any other Intellectual and Industrial Property used or developed by the CONTRACTOR in relation to the Technology.

5.5 The CLIENT hereby assigns and agrees to assign to the CONTRACTOR entire right, title and interest in and to all inventions, improvements or discoveries (whether or not patentable) made, conceived or first reduced to practice by the CLIENT based on the Technology.

5.6 The owner of all Intellectual and Industrial Property and Know How over the Technology is and shall forever be the CONTRACTOR.

5.7 The CLIENT agrees to promptly disclose the inventions, improvements and discoveries specified hereinabove to the CONTRACTOR, and will assist in reasonable manner to obtain for the CONTRACTOR's own benefit patents thereon at the expense of CONTRACTOR. The CLIENT further agrees that the obligations and undertakings stated in this paragraph shall continue beyond the termination for any reason of this Agreement but if the CLIENT is called upon to render such assistance after such termination, then it shall be entitled to a fair and reasonable fee in addition to reimbursement of any expenses incurred at the request of the CONTRACTOR.

6. INSPECTIONS AND TESTS

6.1 The CONTRACTOR shall allow the CLIENT to make such inspections, checks, tests and reports as the Client may consider necessary, during the manufacturing, assembly and testing phases, at the factories and workshops of both the Contractor and its suppliers and/or Subcontractors.

6.2 The CONTRACTOR will inform the CLIENT in writing with a prior notice of at least [**] Business Days, of the dates and places for inspections and tests and, particularly, of those that the CLIENT specifically requested.

6.3 The CLIENT must inform the CONTRACTOR at least [**] Business Days in advance of whether it will attend the inspections and tests. If the CLIENT is unable to attend, the Contractor will either proceed in his absence, or make reasonable effort to reschedule the test, in which case the CONTRACTOR may adjust the Calendar accordingly.

6.4 The CLIENT may establish minimum inspection requirements to check that the Equipment and/or Works conform to the applicable specifications to be agreed with the CONTRACTOR. Should the CLIENT confirm and the CONTRACTOR agree, during any inspection or test that the specifications or standards have not been met, the CLIENT may freely reject the Equipment and/or Work in question at no additional charge or expense and this shall not be deemed tantamount to acceptance by the CLIENT of any delay in the Time for Completion or alteration of the Agreed Price.

6.5 The inspections or tests by the CLIENT shall not release the CONTRACTOR from any of its obligations or liabilities under this Agreement nor shall they be deemed equivalent to acceptance of the Equipment thereof.

6.6 If any fault or defect is discovered during testing and/or inspection as contemplated in Clause 6.4, the CONTRACTOR shall be responsible for correcting the fault or defect prior to PAC.

6.7 The CONTRACTOR shall confirm that the manufacturers of the Equipment comply with all the requirements of the Agreement and conform to good practices in design, engineering and manufacture.

7. ASSEMBLY AND INSTALLATION OF EQUIPMENT

7.1 Upon signature of this Agreement, the CONTRACTOR shall start each item of the Works according to the Calendar without the need for instruction from the CLIENT, except as outlined in Clause 7.2.

7.2 The Plant shall be installed at the Site once the CLIENT has given its written confirmation that the required permits and consents for installation have been obtained.

7.3 The CLIENT and the CONTRACTOR shall jointly inspect the Equipment immediately after its arrival to the dock at [**] or other reasonable place and issue a certificate signed by both, specifying the apparent condition of the Equipment and any actions that may be necessary to repair or replace forthwith any part damaged or lost during transport that may be detected during such inspection.

7.4 Inspections by the CLIENT shall not release the CONTRACTOR from any of its obligations and liabilities hereunder nor shall they imply acceptance of the Plant.

7.5 As soon as the CONTRACTOR considers the assembly and installation of the Plant complete, according to the terms of this Agreement, it shall issue a Certificate of Completion of Installation indicating that the Plant is ready for Commissioning.

8. COMMISSIONING OF THE PLANT

8.1 PROTOCOL

During the commissioning of the Plant, the CLIENT shall appoint an overseer, who shall check the correct application of the Commissioning Protocols. The CONTRACTOR shall deliver the Final Commissioning Protocol to the CLIENT that must contain at least the tests detailed in Annex X, at least [**] prior to the scheduled date of commencement commissioning.

The CLIENT may request the CONTRACTOR [**], as may be [**] and [**]. Any [**] that the CLIENT asks the CONTRACTOR [**].

In Annex X is included a preliminary Commissioning Protocol.

Each of the actions included in the Commissioning Protocol carried out during commissioning shall be recorded in the protocol or corresponding procedure, dated and signed by the person effecting the action and the person responsible for commissioning.

If any fault, failure or Major Defects, as defined in this Agreement are detected in any of the Equipment, the CONTRACTOR shall be obliged to remedy the problem during the Commissioning Period.

8.2 COMMISSIONING PERIOD

The proper functioning of the Plant shall be checked during this Commissioning Period according to the Final Commissioning Protocol.

For finalising the Commissioning Period is required that the Plant will be in operation for [**] producing energy measured at the electrical output from the PowerBuoy.

Once the Commissioning Period is finalised the CONTRACTOR shall issue a Certificate of Completion of Commissioning and shall notify the CLIENT indicating that the Plant is ready for Provisional Acceptance.

9. PROVISIONAL ACCEPTANCE

9.1 Upon termination of the Commissioning Period, the CONTRACTOR shall notify the CLIENT in writing, indicating:

   a) A date proposed by the CONTRACTOR for a joint visit with the CLIENT. The proposed date shall be at least [**] Business Days after the date of notification. If the proposed date is not convenient for the CLIENT, it may be postponed to a later date no more than [**] Business Days after the latest date indicated in the initial proposal.

   b) The confirmation that the Commissioning Period has finalised satisfactorily.

   c) The confirmation of delivery of all Technical Documentation under Clause 4.

9.2 The Equipment, temporary installations and materials left over from the Works shall be removed by the CONTRACTOR after completing assembly, leaving the Site totally free and clear, as a prerequisite for signing of the corresponding PAC of the Plant.

9.3 During the joint visit, the Parties shall inspect the state of the Equipment and complete a check list, indicating any defects and/or irregularities detected and any pending Works. The CONTRACTOR shall remedy within the following [**] weeks at least those [**], after which the CLIENT and the CONTRACTOR shall proceed to do a new visit and complete a new check list with the [**] so the CLIENT could sign the PAC of the Plant and attach to it the list of pending matters.

9.4 If the Parties do not reach an agreement as to the existence and/or remedy of [**] and consequent obligation of issue of the PAC, any of them may entrust their divergence to an Independent Expert, who will decide on [**] days from its engagement and whose decision shall be final and binding for both Parties.

9.5 The Independent Expert will not be required and the PAC should be issued, if the competent authority from the industry regional department of Cantabria issues the definite start-up certificate to operate the Plant (acta de puesta en marcha definitiva).

9.6 The [**] of the Equipment shall be listed as [**] within the times agreed upon signing the PAC. If the [**] within the agreed times, the CLIENT may [**] itself or commission a third party to do so, for the [**] and without releasing the latter from its responsibilities.

9.7 If, for reasons beyond the control of the CONTRACTOR, it is not possible to effect the commissioning of the Plant, the Parties shall agree on how to proceed to obtain the PAC without jeopardizing the interests of the CLIENT. In any case, provided it is signed, the PAC would contain the corresponding reservations and the CONTRACTOR would undertake to do whatever has been established for the Commissioning Period as soon as the impeding obstacles have disappeared. This document shall indicate the effective date of beginning of the Testing Period for the purposes of the Definitive Acceptance of the Plant.

9.8 Upon signing the Provisional Acceptance Certificate ownership of the Plant and the Equipment object of this Agreement shall be transferred to the CLIENT. The

CONTRACTOR shall bear the risks of loss of or damage to the Plant and the Equipment up to the effective transfer of ownership, without prejudice to the other guarantees and liabilities of the CONTRACTOR hereunder. The Contractor will be responsible for the care and preservation of the Plant until its Provisional Acceptance.

10. DEFINITIVE ACCEPTANCE

10.1. Definitive Acceptance for the Plant shall be issued after the end of the Testing Period, provided that the pending [**] indicated in the PAC and any others detected during the Testing Period have been remedied and provided that the CONTRACTOR delivers the information required under Clauses 21.4 and 21.5 to confirm the fulfillment of the guaranteed values included therein.

10.2. If the Parties do not reach an agreement as to the fulfillment of the above criteria and consequent obligation of issue of the DAC, any of them may entrust their divergence to an Independent Expert, who will decide on [**] days from its engagement and whose decision shall be final and binding for both Parties.

10.3. The CONTRACTOR shall deliver to the CLIENT an updated version of Annex XIV based on real data collected during the Testing Period. The CONTRACTOR shall deliver such information within [**] days following the Definitive Acceptance for the Plant.

11. MODIFICATIONS OF THE WORKS

11.1. MODIFICATIONS AT THE CLIENT'S REQUEST

11.1.1. The CLIENT may request the CONTRACTOR to undertake any type of changes or modifications of the Works subject to this clause.

11.1.2. Within the period of [**] Business Days of the reception of the CLIENT's request, the CONTRACTOR should prepare and provide the CLIENT with the following information:

a) A description of the necessary tasks in order to undertake the requested modifications;

b) The time period for its execution;

c) The impact of these modifications, where appropriate, on the Calendar and the completion of the Milestone(s);

d) The consequent adjustment to the Agreed Price that will be required, if any.

11.1.3. Once both Parties agree in writing on all the above items, they will formalize the corresponding Order for Change that will be executed by the CONTRACTOR according to its terms.

11.1.4. When the CLIENT asks the CONTRACTOR for a change or modification of the Works and if the Parties do not reach an agreement as to any of the items of the Order for Change, any of them may entrust their divergence to an Independent Expert, who will decide on [**] days from its engagement and whose decision shall be final and binding for both Parties.

11.1.5. For the avoidance of doubt the Parties hereby acknowledge and accept that the changes or modifications to the Works shall not imply a reduction of more than [**]% of the scope of the Works as detained in Annex I.

11.2. MODIFICATIONS AT THE CONTRACTOR'S REQUEST

11.2.1. The CONTRACTOR may request the CLIENT to undertake any type of changes or modifications of the Works subject to this clause.

11.2.2. For such purposes, the CONTRACTOR will send the CLIENT a change proposal that will contain the items described in clause 11.1.2 a) to d) as well as an explanation of the need or convenience of the requested modification.

11.2.3. Once both Parties agree in writing on all the above items, they will formalize the corresponding Order for Change that will be executed by the CONTRACTOR according to its terms.

11.2.4. Should the change or modification requested not be approved by the CLIENT, the Works will be executed as initially forseen according to this Agreement. The lack of written agreement in a [**] days term will be considered as a rejection of the modification requested by the CONTRACTOR.

12. CALENDAR AND TIME FOR COMPLETION

12.1 TIME FOR COMPLETION

The CONTRACTOR estimates that the assembly, installation and commissioning of the Plant shall be completed within the Time for Completion according to the Calendar.

Any changes to the Calendar that affect the Time for Completion must be approved in writing by both the CONTRACTOR and the CLIENT, except as otherwise provided under this Agreement.

The Parties accept and agreed that the Time for Completion is an estimation prepared on the assumption that each Milestone will be performed at a given date and time of the year, and that any delays in the performance of Works, Force Majeure, obtaining of licences or supply of Equipment shall have an impact on the following stages of the Calendar and on the whole Time for Completion which may be more proportional to referred delay.

12.2 MONTHLY PROGRESS REPORTS

The CONTRACTOR shall submit monthly progress reports covering all aspects of the Works. The scope of this report is described in Annex IV hereto.

12.3 MONITORING AND CONTROL MEETINGS

The CONTRACTOR's Representative shall hold weekly meetings with the CLIENT's Representative (or the engineer appointed by the CLIENT to oversee the Works done by the CONTRACTOR) to monitor and control the progress of the Works. These meetings may be attended by the representatives of other suppliers or Subcontractors. The CLIENT's Representative may attend accompanied by a specialist, acting as the CLIENT's advisor. The CONTRACTOR's and CLIENT's Representatives may agree that such weekly meetings may be held by telephone.

13. TEMPORARY SUSPENSION OF WORK

13.1 SUSPENSION BY THE CLIENT

The CLIENT may [**] order the CONTRACTOR to suspend all or part of the Works. Any such orders shall be made in writing, indicating the part of the Works that is to be suspended, the effective date of suspension and the expected date for resuming Works. If the CLIENT orders the suspension of the Works on the grounds of non-fulfillment by the CONTRACTOR of its obligations under this Agreement, the latter shall not be entitled to any increase in the Agreed

Price, nor shall the Time for Completion be increased, and the CLIENT shall be entitled to financial compensation for the expenses incurred as a result of this situation, subject to documentary evidence of those expenses and the CLIENT shall be obliged to act diligently in order to mimimise such costs. If the CLIENT order suspension of the Works without it being due to non-fulfillment by the CONTRACTOR of its obligations under this Agreement, the CLIENT shall reimburse the CONTRACTOR for any expenses incurred as a result of the suspension, subject to documentary evidence thereof, and the CONTRACTOR shall be obliged to act diligently in order to mimimise such costs and the Time for Completion shall be extended in accordance with the duration of the suspension.

If the suspension required by the CLIENT lasts for more than four months, the CONTRACTOR may request the CLIENT's permission to proceed. Such request is made by written notice. If the permission is not granted within thirty (30) days, the CONTRACTOR may by further written notice to the CLIENT terminate the Agreement.

13.2 SUSPENSION BY COURT OR ADMINISTRATIVE AUTHORITY

In the event of suspension, halting or total or partial cessation of the Work on the Plant ordered by any judicial or administrative authority, or by either of the Parties following instructions from any judicial or administrative authority, the consequences of the delay, in financial terms and in the Calendar and the Time for Completion, shall be borne by the Party responsible for the obligation whose non-fulfillment or incorrect fulfillment gave rise to the court or administrative action. If this suspension, halting or cessation is not founded on the actions or omissions of either Party, the Completion Period shall be extended by a period of time equal to the duration of the situation or such longer time as may be reasonable in the circumstances and the Parties shall agree on a fair solution regarding the effects on the contractual obligations of each Party during the suspension. The CONTRACTOR undertakes to act diligently to protect and maintain the Works if it has commenced, to avoid any loss or damage.

If the suspension ordered by any court or administrative authority is founded on actions for which both Parties are responsible, the costs incurred thereby shall be borne by both Parties in equal proportions.

If the suspension ordered by any judicial or administrative authority, or by either of the Parties following instruction from any judicial or administrative authority, is prolonged for more than 4 months either Party may terminate this Agreement.

13.3 SUSPENSION BY THE CONTRACTOR

The CONTRACTOR may totally or partially suspend the Works when the CLIENT is in delay of its payment obligations under this Agreement and does not cure such delay within the thirty (30) days following written demand from the CONTRACTOR for such purpose. The CONTRACTOR undertakes to act diligently to protect and maintain the Works if it has commenced, to avoid any loss or damage.

If any given suspension lasts for more than 60 (sixty) days, the CONTRACTOR may terminate this Agreement by written notice to the CLIENT.

13.4 RECOMMENCEMENT OF WORK

When the CONTRACTOR receives instructions to resume the Works on the Plant after any suspension contemplated in the preceding paragraphs, the CONTRACTOR shall examine the Work affected by the suspension, remedying any defect or loss produced during the suspension and informing the CLIENT thereof upon recommencement of the Works. The costs that the CONTRACTOR incurs from examining and remedying the Works will be added to the Agreed Price save if suspension was due to non fulfillment by the CONTRACTOR or if the suspension is ordered by court or administrative authority and the CONTRACTOR is deemed responsible for this suspension.

14. OTHER OBLIGATIONS OF THE CONTRACTOR

14.1 CONTRACTOR'S MANPOWER

The Contractor should employ necessary, sufficient and suitable personnel for the execution of the Works, and will be liable for the performance of such personnel with regard to the work. Any personnel hired by the Contractor and, where appropriate, by its Subcontractors, should have sufficient qualifications, preparation and experience for the execution of the Works object of this Agreement. The Contractor will be in charge of hiring all labour and their payment.

There shall be no employment relationship whatsoever between the CONTRACTOR's employees and the CLIENT. The CLIENT shall not be liable, not even collaterally, for the employer's obligations of the CONTRACTOR, which shall be solely answerable to any public authority, courts and its employees.

Consequently, the CONTRACTOR shall be exclusively liable for all the legal requirements concerning these employees. In particular, all and any contributions payable for its employees in strict compliance of the applicable laws and regulations in Spain, compensation for accidents and other charges established in the prevailing labour laws shall be payable by the CONTRACTOR.

The CONTRACTOR undertakes to prove, on the simple request by the CLIENT that it complies strictly at all times with the prevailing labour and social security laws and regulations.

The CONTRACTOR shall be obliged to provide, for its own account, all the means, tools and instruments required for the Works.

The CONTRACTOR's Representative shall be responsible for the discipline, organization, management, oversight and control of the CONTRACTOR's employees, as well as for the oversight of the suppliers and Subcontractors and shall see that the Works are done in adequate technical and safety conditions, informing the CLIENT's representative of any irregularities or incidents that may occur.

14.2 HEALTH AND SAFETY

The CONTRACTOR shall comply with all prevailing administrative provisions regarding health and safety during performance of the Works. The CONTRACTOR shall see that its employees heed the prevailing legal provisions on health and safety at work. The CONTRACTOR shall be exclusively liable for any fines or other penalties that may be imposed for infringement of health and safety legal provisions affecting the Works.

The expenses relating to the foregoing (fees, insurance and third-party liability) shall be for the account of the CONTRACTOR, except those relating to consultants, which shall be payable by the CLIENT.

If the CONTRACTOR is forced to replace any of the persons with legal functions on this matter, it shall give the CLIENT prior notice, indicating the reasons for such replacement, the curriculum of the proposed substitute and legal authorization to perform the corresponding duties, and the CLIENT shall authorize such substitution, if appropriate, within no more than [**] days.

The Agreed Price set herein shall under no circumstances be raised by virtue of the equipment, ancillary means, materials and working hours of the employees of the CONTRACTOR or its Subcontractors, as the case may be, needed to secure strict fulfillment of the Health and Safety Plan.

The CONTRACTOR shall send the CLIENT a copy of the health and safety plan for installation of the Equipment and provide to the CLIENT the information on the compliance with the labour risks prevention, in particular on who will perform the legal functions on labour risks prevention and health and safety, [**] before commencement of the installation of the Equipment.

The CLIENT may at any time carry out the inspections that it considers necessary in order to check that the CONTRACTOR is complying with health and safety requirements. The CLIENT will also have the ability to request the CONTRACTOR to stop the Works if they are being carried out in dangerous and unhealthy conditions that are in violation of the laws and regulations in force until such problems are resolved.

The CONTRACTOR assumes full and total responsibility for the safety and health of its workers and of the Subcontractors it may engage.

The CONTRACTOR shall maintain, at its own expense, all marking lights, fences and safety measures considered necessary at the Site.

14.3 TRAINING

The CONTRACTOR shall provide the option to the CLIENT of adequate training in the operation of the Equipment, for up to [**] people named by the CLIENT, at a total cost of EUR. (E[**]) in addition to the Agreed Price. These people shall have to sign a confidentiality commitment in similar terms to the ones contained in Clause 29 as condition to receiving any such training. The training programme, dates and place shall be agreed with the CLIENT.

14.4 COMPLIANCE WITH THE LAW

The CONTRACTOR shall comply with and require all persons, firms or companies directly or indirectly employed or contracted by the CONTRACTOR for the Works to comply with and strictly abide by the laws applicable to the execution of the Works.

In pursuance of the Tax Act, no. 58/2003 of 17 December, s. 43.1.f), the CONTRACTOR undertakes to provide the CLIENT with a specific certificate indicating that it is up to date with the payment of its tax obligations, issued in the terms and in accordance with the requirements stipulated therein and in the corresponding statutory instruments.

14.5 ENVIRONMENTAL PROTECTION

The CONTRACTOR shall be responsible throughout the Works for continuous cleaning of the roads, platforms and surrounding area of the Plant and the periodical removal of any debris left over from installation of the Equipment.

The CONTRACTOR shall comply with the Environmental Impact Declaration or equivalent assessment issued by Spanish authorities, if applicable, as well as with the Environmental Supervision Plan ("Plan de Vigilancia Ambiental") throughout the duration of the Works. The CONTRACTOR shall be responsible for paying any fines that may be levied by the competent authorities when breaching obligations in this regard. The CONTRACTOR shall be liable towards the CLIENT for all damages caused to the environment by the CONTRACTOR and/or its Subcontractors during the performance of the Works. It shall also be liable for removing from the Site all toxic and hazard substances and waste generated by the CONTRACTOR and its Subcontractors during the Works.

14.6 EQUIPMENT AND MATERIALS

The CONTRACTOR shall provide all the Equipment necessary to complete the Works as described in Annex 1. All the Equipment shall, when brought on to the Site, be exclusively used for the execution of the Works.

The CONTRACTOR shall be responsible for the care and security of the Equipment until the transfer of ownership according to Clause 9.8.

All Equipments to be used in the Works shall be of the respective character, quality or kind, and in any event shall be merchantable, new and of first class being consistent with good utility practice. In addition, all such Equipments shall be free from defects for their intended purposes.

14.7 REPLACEMENTS PARTS AND CONSUMABLES

The Contractor shall provide all parts, consumables, equipment and tools which are necessary for the commissioning of the Plant during the Commencement Period.

15. REGULATIONS AND OFFICIAL PROVISIONS CONCERNING EQUIPMENT, LICENCES AND PERMITS.

15.1 The Equipment shall conform to the Regulations and Official Provisions in force when commissioning of the Plant is completed, including the design, building, mounting and installation of said Equipment, although the Agreed Price shall be adjusted to take account of any changes in legislation becoming effective between the date of signature of this Agreement and the date of completion of such commissioning.

15.2 On request by the CLIENT, the CONTRACTOR shall send the appropriate documents and certificates indicating conformity of the Equipment with such regulations and official provisions.

15.3 The CONTRACTOR shall provide such information as may be necessary for the CLIENT to prepare the required documents to obtain licences, permissions and authorizations required to build and operate the Plant, which shall be applied for by the CLIENT. The CLIENT shall file in the necessary applications in a well-ordered and diligent manner, without incurring unreasonable delays.

15.4 The CLIENT shall obtain and pay the costs, including all guarantees and bonds that may be required for, of all permissions, licences, registrations at public registries required from any local, regional and/or State authority for installation and operation on the Site of the Plant.

15.5 All guarantees and bonds required by those public authorities or any other official body in connection with the industrial plan of the CONTRACTOR shall be for the account of the CLIENT.

16. INSURANCE

16.1 CONTRACTOR'S INSURANCE

The CONTRACTOR shall take out and keep in full force and effect the insurance cover specified below, as such coverage may reasonably be obtained in the insurance marketplace, contracted with Insurers and authorized to operate in Spain under applicable law, presenting the Insurance Certificates (together with the relevant insurance contracts/policies) within one (1) month of commencing the Works under this Agreement.

A) LIABILITY INSURANCE

General operating liability insurance, covering damage to property and persons and consequential damage caused to third parties through performance of the Work.

The cover shall be complete, including:

a. General Liability,

b. Employers Liability (Patronal Liability),

c. Marine Liability (including damages to vessels and others),

with a combined ceiling of no less than E5,000,000 per loss.

B) CONTRACTORS'/INSTALLERS' ALL RISKS INSURANCE

On receiving notification to begin the Works the CONTRACTOR shall take out and keep in full force and effect a CONTRACTORS'/Installers' All Risks policy naming, as Additional Assured, the CLIENT and covering all the Works and Equipment relating to the Agreement (including provisional buildings and temporary site offices not included therein), and building equipment, tools, implements, parts and temporary storage.

The coverage shall be taken out against "All Risks" of physical damage and losses, and including the cost of mounting and dismounting, caused by events not expressly excluded in the policy terms. Assessment and settlement shall be at Replacement-as-New Value, fully covering the total cost of the Supply and including also, but by no means limited to, the following supplementary cover:

- Perils of Nature (flooding, storm, etc.);
- Clearing and Cleaning expenses;
- Extraordinary Expenses (overtime and extra costs of repairs and urgent remittances);
- Temporary storage;
- Strikes, riots and civil commotions (SRCC);
- Pre-existing Assets;
- Waiver of early cancellation;

- This policy shall be kept in force with the same cover from the time of notice to begin the Works or such other date as may be agreed between THE CLIENT and THE CONTRACTOR, up to the PAC of the Plant.

  The CONTRACTOR shall see that its Subcontractors keep insurance policies in force with the same terms of cover and subrogation as those required of the CONTRACTOR hereunder. The Subcontractors' policies shall include a waiver of the rights of subrogation in any claims against the CLIENT.

C) CARGO INSURANCE

The CONTRACTOR shall take out and keep in full force and effect as from receiving notice to begin the Works or such other date as may be agreed between the CLIENT and the CONTRACTOR, up to the date of the PAC, an All Risks Cargo Insurance (Institute Cargo Clauses (A) and Institute Strike Clauses) to cover any losses or damages produced after leaving the original installations, during transit and intermediate stops and up to arrival at the destination, including loading and unloading. The sum insured shall be equal to and not in excess of the cost of the supplies, including the cost of freight and insurance.

D) OTHER INSURANCE

(i) Industrial Accidents. Such industrial accident insurance or social security cover, including disability or invalidity for work, as may be necessary under the applicable labour laws or agreements between the CONTRACTOR and its employees.

(ii) Motor Vehicle Road Insurance. Insurance of motor vehicles, including both own and/or rented vehicles, in pursuance of the applicable legislation.

(iii) Other mandatory insurance.

16.2 INSURANCE DOCUMENTS

All insurance contracts required under Clause 16.1 shall include the following:

(a) Waiver of Insurer's/Reinsurer's recourse of subrogation, if available, against the CLIENT, Financial Institution (if any), Contractors and Subcontractors, and their

Agents, Employees or Executives for their respective interests (Contractors Installers All risk and Cargo Insurance).

(b) All insurance required of the CONTRACTOR shall be considered primary in the absence of any other insurance, and shall act first, not contributing jointly with other insurance or self-insurance contracts that the CLIENT may have.

(c) The stipulation that, when there are numerous assured, any invalidating actions causing loss of the right to compensation produced through the action or omission of any one of them shall not jeopardize the right to compensation of the remaining Assured.

(d) All the policies shall contain a clause stipulating that they may only be cancelled, not renewed, invalidated or substantially modified after giving the CLIENT at least thirty (30) days' notice.

All deductibles applicable to the insurance required of the CONTRACTOR shall be for the account of the CONTRACTOR.

The CONTRACTOR shall provide to the CLIENT the certificates or the copies of the insurance policies taken by the CONTRACTOR in accordance with the requirements above.

The required coverages hereunder shall in no way affect, or are they intended as a limitation of CONTRACTOR's liability with respect to its performance of the Work under this Agreement.

17. SUBCONTRACTING

17.1. The CONTRACTOR may subcontract part of the Works hereunder to any of the firms and companies listed in Annex XI hereto, promptly notifying the CLIENT. Should the CONTRACTOR wish to modify the existing list or contract a Major Subcontractor not included therein (for the purposes of this Agreement a Major Subcontractor shall be a supplier, whose work contents or total value exceeds E[**]), it shall submit a written request to the CLIENT for written approval; the CLIENT reserves the right to turn down the choice of any Major Subcontractor for a justified reason that it must communicate to the CONTRACTOR within the [**] days following its request. If the CLIENT does not indicate its objection within [**] days, the CONTRACTOR may proceed as indicated in its original notification.

Under no circumstances may the CONTRACTOR subcontract the tasks of testing and commissioning or the Works management.

17.2. In the event of Subcontracting as indicated above, the CONTRACTOR undertakes to include a clause in the contracts it signs with its Subcontractors whereby they will waive any action against the CLIENT deriving from this Agreement or the Subcontracting Contract, or any subrogation in claims of the CONTRACTOR against the CLIENT.

17.3. In any case, the CONTRACTOR shall be responsible in the terms of Art. 1596 and 1597 of the Civil Code for the performance of the Works by the Subcontractors and their employees.

17.4. Subcontracting shall not release the CONTRACTOR from any obligation or liability to the CLIENT hereunder. The CONTRACTOR shall always be liable for the performance of this Agreement.

17.5. Thus, notwithstanding any Subcontracting, THE CONTRACTOR shall be fully answerable to THE CLIENT for all work, services, materials, designs, documents and for the actions, defaults and negligence of each Subcontractor and its agents or employees, as if they had been performed or committed by the CONTRACTOR or its agents or employees. Nor shall the inclusion of a Subcontractor on the list set out in Annex XI or the approval of a Subcontractor by the CLIENT, or the Subcontracting made by the CONTRACTOR release the latter from any liability hereunder.

17.6. For the purposes contemplated in the Tax Act 58/2003 of 17 December, s. 43.1.f), the CONTRACTOR undertakes to submit to the CLIENT a specific certificate indicating that the Subcontractors are up to date with the payment of their tax obligations, issued on the terms and with the requisites stipulated therein and in the corresponding statutory instruments.

18. CONTRACT PRICE

18.1. The Agreed Price to be paid by the CLIENT to the CONTRACTOR for the Works as detailed in Annex II, there including all the parts, Equipments and Materials is Two Million and Six Hundred Sixty Two Thousand Five Hundred Eighty Three Euros (E2.662.583,00), excluding Value Added Tax (VAT).

18.2. The Agreed Price also includes all national and local taxes, duties, whatsoever customs expenses, etc. relating to the Plant, except for Value Added Tax (VAT), or such other tax as may substitute VAT in the future, which shall be supported by the CLIENT.

18.3. The breakdown of the Agreed Price is the following:

	COST (E)	% of Total
1 PowerBuoy PB40ES	[**]	[**]
1 Underwater Substation	[**]	[**]
1 Mooring system	[**]	[**]
SCADA System	[**]	[**]
Submarine cable and electrical connections	[**]	[**]
Deployment cost	[**]	[**]
PowerBuoy 1 xPB40	[**]	
Underwater substation	[**]	
Submarine cable	[**]	
Mooring system	[**]	
Taxes/Import Duties	[**]	[**]
Letters of Credit	[**]	[**]
Site Survey work	[**]	[**]
ADCP (Acoustic Doppler Current Profiler)	[**]	[**]
Insurance costs	[**]	[**]
TOTAL	2.662.583,00	100%

18.4. The Parties agree and accept that the Agreed Price was calculated on the basis of an estimation of the [**]. The Parties further agree that [**] will be supplied as required for the Works [**].

18.5. In the event of any cost overruns, the Parties agree as follows:

(i) The Contractor shall bear any and all cost overruns duly supported and in written documents, up to a maximum amount of five hundred thousand euros (E500,000).

(ii) The Client shall bear any and all cost overruns in excess of five hundred thousand euros (E500,000), provided that if any of the concepts individually included in the table above overruns in excess of 19% of the above indicated prices the CONTRACTOR will require CLIENT's prior written approval before the purchase of the Equipment, contracting the services or incurring in any expense not contemplated in the initial budget. The CONTRACTOR will give the CLIENT all the necessary information to support the reasons of the cost increase. If the CLIENT does not give its approval to such cost overruns, the CONTRACTOR may (a) pay for it and pursue the Works, (b) look for other supplier to purchase the relevant Equipment or contracting the services or (c) terminate the Agreement.

18.6 In the event the costs do not reach the Agreed Price, the [**] will pay [**]. It will be agreed between the Parties how the money [**].

18.7 In order to enable the CLIENT to control the cost and expenses incurred by the CONTRACTOR regarding the different concepts of the table above the CONTRACTOR shall report the [**], to the CLIENT, on a monthly basis by delivery of the relevant documents supporting those [**] as well as [**]. This monthly report will include also the [**].

18.8 Except for the [**] that will be constructed [**], the CONTRACTOR shall aim to purchase all the equipment to [**] or whose price was not competitive or whose quality was not acceptable. In this case the CONTRACTOR will require the Client written approval before the purchase of the Equipment. The CONTRACTOR will give the Client all necessary information to support the reasons of the subcontractor selection. The CONTRACTOR will keep the CLIENT informed about its contacts with [**] and the CLIENT will collaborate with the CONTRACTOR [**] and conditions so to allow the development of the Works according to the Calendar.

19. TERMS OF PAYMENT AND BILLING

19.1 SCHEDULE OF MILESTONE

The CONTRACTOR shall invoice the Agreed Price according to the Schedule of Milestones that is attached hereto as Annex V. All payments shall be made at [**] days invoice date, by cheque or bank transfer.

19.2 COMPLETION OF MILESTONE

Once the CONTRACTOR considers that a Milestone has been completed, it will inform the CLIENT in writing (the "NOTICE OF COMPLETION"). Such notification must be accompanied by the required elements to document completion of the Milestone according to Annex V.

The CLIENT will have [**] Business Days from the date of Notice of Completion to inspect the Works and confirm that the Milestone has been duly completed, in which term it must serve the CONTRACTOR with one of the following notices:

(i) Notice of Approval: The CLIENT will confirm that the Milestone has been duly completed;

(ii) Notice of Pending Works: The CLIENT will inform the CONTRACTOR of what actions to achieve the Milestone must be taken by the CONTRACTOR in order for the relevant Notice of Approval to be issued.

Failure of the CLIENT to send written notice as detailed in (i) or (ii) above within the [**] Business Days following the Notice of Completion by the Contractor will be deemed to be a Notice of Approval for all purposes under this Agreement.

19.3 INVOICING

The CONTRACTOR shall send the relevant invoice to the CLIENT once a Notice of Approval has been issued (or once a Notice of Approval is deemed to have been issued according to Clause 19.2).

20. PERFORMANCE BOND/LETTER OF CREDIT

20.1 The CONTRACTOR shall deliver to the CLIENT a letter or credit of first requirement issued by a top ranking bank [**] against the payment of that same amount by the CLIENT to secure the performance of the Works (the "PERFORMANCE BOND"), as attached in Annex VIII. This Performance Bond shall be valid and effective without any obligation by the Client to return it until the earlier of (i) date of signature of the PAC and payment of any liabilities deriving from this Agreement or (ii) the termination of this Agreement according to Clause 30.

20.2 The CONTRACTOR shall grant a letter of credit of the first requirement issued by a top ranking bank [**] against payment of the same amount upon performance of Milestone number 2. This letter of credit shall secure the supply of the equipment covered by that Milestone and shall be valid and effective until the earlier of (i) delivery of the respective equipment or (ii) termination of the Agreement.

20.3 The CONTRACTOR shall grant a letter of credit of the first requirement issued by a top ranking bank [**] against payment of the same amount upon performance of Milestone number 3. This letter of credit shall secure the supply of the equipment covered by that Milestone and shall be valid and effective until the earlier of (i) delivery of the respective equipment or (ii) termination of the Agreement.

20.4 The CONTRACTOR shall grant a letter of credit of the first requirement issued by a top ranking bank [**] against payment of the same amount upon performance of Milestone number 4. This letter of credit shall secure the supply of the equipment covered by that Milestone and shall be valid and effective until the earlier of (i) delivery of the respective equipment or (ii) termination of the Agreement.

20.5 The CONTRACTOR shall grant a letter of credit of the first requirement issued by a top ranking bank [**] against payment of the same amount upon performance of Milestone number 6. This letter of credit shall secure the supply of the equipment covered by that Milestone and shall be valid and effective until the earlier of (i) delivery of the respective equipment or (ii) termination of the Agreement.

20.6 In the event of total or partial enforcement of the Performance Bond, the CONTRACTOR shall restore the Performance Bond to its original value within no more than [**] calendar days after such enforcement. Otherwise, without prejudice to any other actions that may correspond to it by law, the CLIENT shall be entitled to suspend any payment it may have pending hereunder or any contracts made by virtue hereof.

21. WARRANTIES

The CONTRACTOR offers the following guarantees effective as from the PAC of the Plant:

The remedies set forth is this Clause 21 are the sole and exclusive remedy of the CLIENT with respect to the breach of the stipulated guarantees.

21.1 OWNERSHIP GUARANTEE

The CONTRACTOR represents and warrants that at the date of signature of the PAC:

(i) the Equipment comprising the Plant is fully and exclusively owned by the CONTRACTOR;

(ii) the Equipment comprising the Plant is transferred to the CLIENT according to this Agreement free from charges, encumbrances, constraints on transfer or third-party rights; and

(iii) the CONTRACTOR is authorised to transfer their full and exclusive ownership to the CLIENT.

This ownership guarantee shall be valid and enforceable against third party claims throughout the limitation period established in the applicable law.

In the event of default, invalidity or uncertainty of these guarantees, the CONTRACTOR shall defend the validity of the sale of the Equipment and hold the CLIENT harmless from damages of whatsoever nature, including costs and expenses.

If there is any lien or encumbrance on any of the Equipment and it is not imputable to the CLIENT, the CONTRACTOR must, as soon as possible, replace or cancel that attachment, lien or encumbrance at its cost.

The CONTRACTOR represents and warrants to the CLIENT that all creations, plans, drawings, specifications, documents, procedures, methods, products or inventions supplied, prepared or made by the CONTRACTOR hereunder and the use of any of them does not infringe any third-party rights. In the event of any claim or action by a third party alleging infringement of any intellectual or industrial property right, the CLIENT must notify the CONTRACTOR promptly and the CONTRACTOR will carry out all the negotiations to settle the claim. At the request of the CONTRACTOR, the CLIENT will provide all reasonable assistance to the CONTRACTOR against the claim of the third party. In such case, the CONTRACTOR shall hold the CLIENT harmless from all damages (including costs and expenses) that may be produced and shall obtain for the CLIENT the right to use, or continue using, the Equipment. Delayed performance of the Works due to this clause shall not release the CONTRACTOR from any liabilities for delays or entitle it to raise the Agreed Price.

21.2 QUALITY GUARANTEE

The CONTRACTOR guarantees that the components of the Equipment comprising the Plant shall comply with the standards required for normal operation of the Plant during the term of the O&M Agreement.

If there is a breach of this Guarantee, the CONTRACTOR shall have to repair or replace, [**] any such component on its account, [**], if required, after the achievement of [**] that shall be borne by the CLIENT.

21.3 REPAIR AND REPLACEMENT GUARANTEE

The CONTRACTOR shall, during a period of [**] beginning with [**], except for the [**] for which the Parties will endeavour to obtain a [**] guarantee in which case the CONTRACTOR shall grant an equivalent guarantee to the CLIENT, repair or replace, [**] all failures or defects in the Equipment comprising the Plant elements found to have a faulty design, quality or operation as soon as possible without any cost to the CLIENT. The cost of materials, labour and, in general, all expenses incurred in total repair shall be for the account of the CONTRACTOR, except the cost of retrieval from the Site and redeployment of defective items, if required, after the achievement of [**] that shall be borne by the CLIENT.

If the CONTRACTOR does not repair or replace in a reasonable period of time, the CLIENT shall notify the CONTRACTOR, indicating a reasonable deadline for making the repair or replacement. If the CONTRACTOR continues not fulfilling its obligation after that time, the CLIENT shall be entitled to carry out the repair for the account of the CONTRACTOR, which will be responsible for the direct damage caused by this delay.

Correct and adequate repair by the CLIENT in the above circumstances shall not release the CONTRACTOR from all its liabilities.

21.4 POWER OUTPUT GUARANTEE

The CONTRACTOR guarantees fulfillment of a Power Output of at least [**]% of that predicted (according to the Theoretical Power Table contained in table 1 of Annex XIV) during the Testing

Period given the measured energy levels. Wave energy levels will be collected and recorded for at least [**]% of the Testing Period by the dedicated [**] unit at or near the Site, or, if the [**] fails to collect the required data for the project, by extrapolating data from publicly available sources (e.g. RPE 2914, 2915, or Bilbao buoy), the latter being subject to approval by the CLIENT. PowerBuoy output levels will be recorded for at least [**]% of the Testing Period by the [**]. PowerBuoy output power, as measured with the meter equipment. The proposed meter equipment with its auxiliary transformers would have accuracy compliant with the [**] and have bi-directional measurement capability with Ethernet communications. A [**] or equivalent meter shall be installed at the low tension wire at the output from the PowerBuoy, will be compared against the predicted level which is calculated using the collected wave energy levels and the Theoretical Power Table contained in table 1 of Annex XIV.

In the event of breach of this guarantee that results in the delay of the [**] beyond the date included in Clause 30, the remedies set forth in Clause 30 shall apply.

21.5 ENERGY PRODUCTION GUARANTEE

The CONTRACTOR guarantees fulfillment of an Energy Production of at least [**]% of that predicted according to the Theoretical Power Table contained in table 1 of Annex XIV using the [**] in the method described in Clause 21.4.

In the event of breach of this guarantee that results in the delay of the [**] beyond the date included in Clause 30, the remedies set forth in Clause 30 shall apply.

21.6 SPARE PARTS GUARANTEE

The CONTRACTOR guarantees the existence of spare parts [**] for any component of the Equipment and undertakes to offer the CLIENT their availability for supply during the term of the Testing Period until [**] is achieved or this Agreement is terminated.

21.7 LIMITATIONS ON GUARANTEES

The CONTRACTOR does not guarantee the consequences arising from the CLIENT's failure to observe the instructions contained in the operating and maintenance manuals, unless it is the CONTRACTOR that is responsible for the operation and maintenance of the Plant, nor does it guarantee the consequences of normal wear and tear or corrosion, from external phenomena, from abnormal or negligent use, nor those arising from any repairs or modifications made without prior approval of the CONTRACTOR, except when they have been made by virtue of default by the CONTRACTOR of its obligation to repair within the times established in Clause 21.3.

22. CLIENT'S OBLIGATIONS

The CLIENT shall, without prejudice to the other obligations stipulated in this Agreement, comply with the obligations established in this Clause.

22.1 ACCESS TO THE SITE AND PERMITS

The CLIENT shall ensure that the CONTRACTOR has full, unconditional and free access to and within the Site, allowing the CONTRACTOR undisturbed and unhindered access to each part of the Plant, at all times and without prior notice, and obtaining all permissions and licenses that might be required, in due time, for the purpose of fulfilling the CONTRACTOR's obligations under this Agreement.

The CLIENT shall apply for all permits, consents and licenses required to install and operate the Plant as listed in Annex XII. The CLIENT shall apply simultaneously for the granting of an authorisation by the coastal authority for the occupation of the necessary coastal public domain for temporary testing (the "TEMPORARY PERMIT") as well as for all permits needed for electricity production (including but not limited to the authorisations of installation and operation of the Plant (including connection facilities) and the coastal concession to occupy the necessary public domain in a long term basis with fixed -not moveable- infrastructures) for Phase 2 A and 2 B (the "FULL PERMIT").

22.2 INFORMATION

The CLIENT shall facilitate, in terms envisaged in this Contract, any information and documentation necessary for the undertaking of the various activities and shall notify any situation the CLIENT knows that could alter the normal execution of the Agreement.

22.3 OTHER CLIENT OBLIGATIONS

The CLIENT shall be responsible for the following (either directly or by causing the performance by the relevant parties to the Santona Wave Energy Agreement):

a) Procurement and installation of the cable vault and onshore cable to connect the cable vault to the onshore substation, if required.

b) Procurement and installation (and payment) of the onshore substation equipment including termination of onshore cable from the cable vault to onshore substation.

c) Grid connection from onshore substation to the local utility grid.

d) Land purchase costs and/or any wayleave or easement payments.

e) Upgrade of the onshore [**] transmission line to make it suitable for a 1.39 MW generation facility.

f) All site connections for electric ties, telephone and [**].

g) Expeditious approval of major Subcontractors according to Clause 17.

23. LIABILITY

23.1 Each Party shall be liable for those direct damages that it causes to the other Party as a consequence of default of its obligations under this Agreement. The Parties expressly agree that the so-called indirect losses or indirect damages, including loss of profit, loss of production and consequential loss, shall not be enforceable.

23.2 In any event, the CONTRACTOR's liability to the CLIENT under this Agreement shall be limited to a maximum amount equal to the Agreed Price and the CLIENT's liability to the CONTRACTOR under this Agreement shall be limited to a maximum amount equal to the Agreed Price increased by interest at EURIBOR at 3 months plus 2%.

23.3 The CONTRACTOR shall hold the CLIENT harmless from all and any claims that may derive from default by the CONTRACTOR of its obligations under this Agreement regarding occupational hazard prevention or the environment, taxes or safety and hygiene.

23.4 The CONTRACTOR shall be solely liable for fulfillment of all legal obligations, concerning employment, social security, safety and hygiene at work, occupational hazard prevention to its employees and Subcontractors.

23.5 The Parties likewise agree that any compensation that one of the Parties receives as beneficiary from any insurance policy, will be deducted from the corresponding claim for damages or, inn case such a compensation maintains the Party in question harmless regarding the damages suffered, it will prevent such Party from claiming damages.

24. FORCE MAJEURE

24.1 The Parties shall be released from their obligations hereunder when performance is made impossible or unreasonably cumbersome due to an event or fact external to the Parties, unforeseeable and unavoidable and beyond their control ("Acts of God or Force Majeure"), provided that: (i) the Acts of God or Force Majeure are not entirely or partially the result of a default, omission or negligence by the Party claiming exoneration, or, in the case of the CONTRACTOR, by one of its Subcontractors; (ii) the Party claiming exoneration shall notify the other Party of the act of God or force majeure as soon as possible; and (iii) the Party claiming exoneration continuously makes every reasonable endeavour to minimise the effects of that cause of force majeure, keeping any delay in the Works and limiting damages to the Plant to a minimum. For the purpose of this Contract, Acts of God or Force Majeure shall be deemed to include the following situations, in addition to those contemplated in the Spanish Civil Code, Art. 1105:

a) Those natural phenomena with catastrophic effects (for example, earthquakes, heavy storms, tidal waves, floods (whether large or small), volcanic eruptions, movements of the earth, coastal storms and the like, or Torrential rain, snow or ice making access to the Site impossible or very difficult.

b) Riot, civil commotion, strikes, lockouts or other industrial disputes, save when only the employees of the CONTRACTOR or its Subcontractor are affected.

c) Landslide, flooding, fire, electric discharge, charge induced by electric discharge, explosions.

d) Revolt, or popular uprising, acts of war, Actions or omissions by the government or governmental agency (national, autonomous or local) or public authorities or their representatives.

e) Acts of terrorism or sabotage.

24.2 In the event of delay caused by force majeure, the deadlines stipulated in the Calendar shall be extended for a time equal to the duration of the cause of force majeure, or if it is not possible to restore normal circumstances immediately upon cessation of the cause of force majeure, for whatever time may be reasonably necessary, as previously agreed between the Parties, which shall be obliged to fulfill all other obligations not affected by the circumstance in question. The costs incurred in repair, replacement or adjustment of elements damaged through causes of force majeure shall be borne by the Party bearing the risk of the elements in question at the time of the force majeure. Either Party may terminate this Agreement if Works are suspended for acts of God or force majeure for an uninterrupted period of more than six (6) months. All Works completed shall be settled upon termination by the Contract.

25. CHANGES IN LEGISLATION

25.1 If any binding legislation is passed or amended after execution of this Contract and up to Commissioning of the Plant, the CONTRACTOR shall make the necessary technical changes at each of the affected Equipment and Materials at a competitive price, as agreed with the CLIENT. This modification of the Agreed Price and Calendar shall only be required if (i) the changes in question require substantial modifications to the design or performance of the Works; and (ii) the CONTRACTOR has notified the CLIENT of the existence of the change and sent a quote within [**] months following entry into force of the legal provision containing said change.

25.2 The Parties agree that a reduction in the number of working hours shall under no circumstances be considered a change in legislation for the purposes of this Agreement, in which case the CONTRACTOR shall assign such manpower to the works as may be necessary to fulfil the agreement within the Agreed Price and Time for Completion.

26. CLIENT'S AND CONTRACTOR'S REPRESENTATIVES. NOTICES

26.1 Mrs. Cristina Heredero Bueno is named representative of the CLIENT.

26.2 Mr. Mark Draper is named representative of the CONTRACTOR.

26.3 The CONTRACTOR's representative shall coordinate the tasks of the overall project, being responsible, among others, for the following:

a) Acting as liaison with the CLIENT's representative.

b) Checking the validity of the documentation delivered to the CLIENT, to ensure fulfillment of the objectives pursued under the Contract.

c) Sending the CLIENT all contractual communications and monthly reports on performance of the Works as from the date of signature of this Agreement.

26.4 The CLIENT's representative shall be responsible, among others, for the following:

a) Acting as liaison with the CONTRACTOR's representative transmitting the CLIENT's instructions and receiving notification from the CONTRACTOR.

b) Monitoring and checking the correct development and execution of the Works.

26.5 The Parties indicate the following addresses and contracts for all Notices to be made hereunder:

THE CONTRACTOR	THE CLIENT
Address: Warwick Innovation Centre	Address: Tomas Redondo, 1 28033
Gallows Hill, Warwick	Madrid, Spain
CV34 6 UW, UK	
Telephone: +44 1926 623371	Telephone: +34 91 784 2598
Fax: +44 1926 408190	Fax: +34 91 784 3704
Contact: Mark Draper	Contact: Cristina Heredero Bueno

26.6 All notices and other communications between the representatives shall be made in writing by a means allowing evidence of receipt. This notwithstanding, notification by fax or e-mail shall be considered validly made provided the other Party acknowledges receipt. In the event of unforeseen circumstances during performance of the Agreement, the CLIENT shall be informed within no more than twenty-four (24) hours, firstly by telephone and subsequently by any of the above-mentioned means.

27. ORGANISATION

Within [**] days after the date of signature of this Agreement, the CONTRACTOR shall submit to the CLIENT for approval an organisation chart indicating the name of individuals responsible for the Works. The number, field of expertise and professional qualifications of these people shall be adequate for performance of this Agreement.

After approval of this organisation, no changes may be made to the project manager, the site manager or the accident prevention officer without written authorisation from the CLIENT, such authorization cannot be unreasonably withheld. Should it become obvious that the existing organisation is not adequate or sufficient to guarantee fulfilment of its obligations, the CONTRACTOR shall, upon indication by the CLIENT, address the problem and if necessary make any changes in its organisation.

The organisation shall be headed by the person nominated by the CONTRACTOR's Representative as its representative for dealings with the CLIENT throughout the duration of the Work.

28. ASSIGNMENT

28.1 No Party may assign its rights and obligations hereunder to a third party, without prior written authorisation from the other Party. This authorisation shall not be necessary, mere notification being sufficient, for transfers within its group of companies, as defined in the Commercial Code Art. 42.

28.2 The CLIENT may assign all or part of its rights hereunder to any financial institution without written authorisation from the CONTRACTOR, as surety for payment of the financing obtained by the CLIENT, on one occasion or by virtue of several successive contracts.

29. TAXES AND EXPENSES

29.1 EXPENSES

Each Party shall pay the costs and expenses (including fees of agents, representatives, advisers) incurred in the preparation, negotiation and fulfillment of this Contract.

29.2 TAXES

29.2.1 The [**] undertakes to pay all taxes, rates, surcharges, contributions, excise tax, customs duties and, in general, all and any state or local direct or indirect tax levied under the Spanish tax laws on the manufacture, supply, service, sale, installation or whatsoever other services provided by the CONTRACTOR hereunder. The [**] shall also pay all taxes, rates, duties and, in general, all and any tax or expense deriving from the importing of goods or services made directly with the CONTRACTOR for inclusion in its Supply.

29.2.2 The [**] undertakes to pay the VAT, or whatsoever other indirect tax of a similar nature that may be established to substitute VAT during the effective term of this contract, levied on the deliveries of goods and provision of services by the CONTRACTOR to the CLIENT as a result of the Works contemplated herein. The [**] shall also pay all taxes, charges, rate, encumbrances or royalties incurred in connection with the authorisations, permissions or licences to be obtained by the CLIENT and the Taxes on building, installation and Works.

29.2.3 With a view to optimising the tax charge levied on the deliveries of goods and services hereunder, each Party undertakes to provide the other, in due time and form, with any documents that may be necessary or recommendable to guarantee the best rating of the payments to be made. In particular, with regard to the provision of services, for the possible application of double taxation agreements on income tax, a certificate will be required, issued by the tax authorities in the corresponding country, confirming the residence of the provider of the service for tax purposes.

30. CONFIDENTIALITY

30.1 Either Party must obtain written approval from the other Party before publishing notices, announcements or photographs of whatsoever nature concerning the Works or the Plant object of this Agreement, except where disclosures are required by law, regulation, stock exchange rules or the like. Such authorisation should not be unreasonably withheld.

30.2 The Parties undertake to maintain the utmost confidentiality in respect of, the negotiations among them prior to and during the effective period hereof, the documents exchanged in connection with those negotiations and any information whatsoever received as a result thereof.

30.3 All Technology, Technical Documentation, commercial terms of this Agreement, technical information, trade secrets or Know-How revealed hereunder, and their very existence (hereinafter "CONFIDENTIAL INFORMATION") shall be kept strictly confidential and shall not be disclosed by the receiving Party, unless with the prior written consent of the Party to which it belongs, which consent shall not be withheld if disclosure is required under applicable law.

30.4 The Confidential Information shall be treated confidentially by the Parties and shall not be disclosed by the party receiving it or put to any use other than that contemplated herein without the prior consent of the Party to which it belongs. In this regard, the CLIENT hereby agree that unless CONTRACTOR has granted written permission, it will not build, or have any third party build, either directly or indirectly though a company controlled thereby, any wave power stations that are based on the Technology. This obligation will be in force during [**] years from the date hereof unless the CONTRACTOR or its successors or assignees (i) cease doing business on a permanent basis, as a result of bankruptcy, liquidation, close-up or other causes or (ii) are restrained for any other reasons to authorise the use of such Technology.

30.5 In relation to the above-mentioned obligations, the Parties undertake to, in particular, adopt such measures as may be necessary to prevent third parties from gaining unauthorised access to the Confidential Information and to limit access to the Confidential Information to authorised employees who need it to be able to fulfill the Agreement, binding such employees to the same confidentiality obligations.

30.6 This confidentiality obligation shall not be applicable to any information accessible to the public other than through default of the confidentiality obligation by the receiving Party; or that has been published prior to the date of this Agreement; or that the receiving Party already had and which is not subject to any confidentiality agreement between the Parties, provided that the other Party has been duly informed at the time of its communication; or that is received through third parties without restrictions and does not imply default of the Agreement; or that is independently developed by the receiving Party.

30.7 The Parties agree that any company of the group of companies of each of the Parties, and any employee and consultant of such companies, will be considered as third party for the purposes of the confidentiality obligations above-stated. Therefore, disclose of the Confidential Information to third parties before-mentioned will require the approval of the CONTRACTOR.

30.8 Upon termination of this Agreement, the CLIENT will exercise reasonable efforts to return all Confidential Information received in tangible form and all copies thereof to the CONTRACTOR, except for the Technical Documentation.

31. TERMINATION OF THE CONTRACT

31.1 TERMINATION BY THE CLIENT:

The CLIENT may termination this Agreement if:

(i) The CONTRACTOR interrupts the execution of the Works, without a justified cause for a term greater than one hundred eighty (180) days.

In this event, the CLIENT will grant the CONTRACTOR a term of thirty (30) days for remedying the breach of the Agreement. If the CONTRACTOR does not remedy the relevant breach within the thirty (30) days term, the CLIENT shall be entitled to terminate the Agreement by written notice to the CONTRACTOR and to enforce the Performance Bond provided by the CONTRACTOR.

(ii) The Definitive Acceptance of the Plant is not achieved on December 31, 2009 for reasonable attributable to the CONTRACTOR. The Parties agree that if there is a delay in the licensing of the Plant in relation to the foreseen dates (Works License is forecast to be obtained on August 1, 2007) for the obtaining of the permits as contained in the Calendar, this date shall be delayed in accordance.

In this event, the CLIENT shall be entitled to terminate the Agreement by written notice to the CONTRACTOR and the CONTRACTOR shall not be entitled to the payment of the non achieved Milestones. The CLIENT shall immediately return the Performance Bond provided by the CONTRACTOR.

(iii) In addition to the above any of the Parties may terminate this Agreement upon a very serious and repeated breach by the other Party of a major obligation of this Agreement that was notified to the defaulting Party and was not remedied within 30 days from the above mentioned notification.

31.2 TERMINATION BY THE CONTRACTOR:

The CONTRACTOR may terminate this Agreement if:

(i) The CLIENT delays any payments for a term greater than sixty (60) days after the date that a payment should have been made under this Agreement and the payment has been requested in writing to the CLIENT. In this event, the CONTRACTOR will grant the CLIENT a term of thirty (30) days for remedying the breach of the Agreement. If the CLIENT does not remedy the relevant breach within the thirty (30) days term, the CONTRACTOR shall be entitled to terminate the Agreement by written notice to the CLIENT without prejudice to its right to claim for interest any amounts due at EURIBOR at 3 months plus 2%.

For clarification purposes, if the CONTRACTOR has suspended the Agreement according to clause 13.3 and the suspension has lasted more than sixty (60) days, it may immediately terminate this Agreement by written notice to CLIENT and claim interest on the amounts due at EURIBOR at 3 months plus 2%.

(ii) The Definitive Acceptance of the Plant is not achieved on December 31, 2009 for reasons attributable to the CLIENT.

In this event, the CONTRACTOR shall be entitled to terminate the Agreement by written notice to the CLIENT. The CLIENT must immediately return the Performance Bond provided by the CONTRACTOR.

(iii) In addition to the above any of the Parties may terminate this Agreement upon a very serious and repeated breach by the other Party of a major obligation of this Agreement that was notified to the defaulting Party and was not remedied within 30 days from the above mentioned modification.

31.3 EFFECTS OF TERMINATION

Upon termination of this Agreement based on any of the foregoing causes, the CONTRACTOR shall transfer ownership of the Equipment delivered or installed to the CLIENT if that has not already occurred, together with their warranties from the suppliers, and the CLIENT must immediately pay the CONTRACTOR all invoices pending payment, as well as the value of the Works and Equipment supplied, delivered or installed prior to termination, not yet invoiced.

No further remedies, actions, penalties or damages shall be available to the Parties apart from the ones specified in this Clause for each cause for termination.

31.4 SURVIVABILITY OF CONFIDENTIALITY

The confidentiality obligations will survive this Agreement in the event of termination according to clause 29.4.

32. DISPUTES

32.1 Any disputes between the Parties in connection with this Contract and, in particular, concerning its interpretation, validity, compliance and termination (including the validity and compliance with this Clause) shall be submitted to arbitration, that shall be settled by a bench of three arbitrators following the rules about Conciliation and Arbitration of the International Chamber of Commerce.

32.2 The arbitration board will be nominated by the President of the International Chamber of Commerce.

32.3 The seat of arbitration shall be Madrid (Spain). The parties agree that the language of the arbitration, including oral hearings, written evidence and correspondence, shall be Spanish/English.

32.4 The arbitration award must be pronounced by the bench of arbitrators before six months from the moment the last of the arbitrors accepted his office. This time limit could only be extended by agreement between the parties notified to the arbitrors before the closing date.

32.5 The parties enter into a mutual engagement to serve the arbitral award as soon as it is notified to them.

32.6 This Contract shall be governed by the laws of Spain.

33. CONTRACTUAL DOCUMENTS AND INTERPRETATION

33.1 The Parties by mutual agreement will attempt to resolve the questions and differences that arise from interpretation of this Contract and from performance of the activities subject hereto.

33.2 To resolve any differences that may arise between the body of this Contract and its Annexes, the body of this Contract will always prevail. The differences that may arise between documents comprising this Contract will be resolved giving priority to each of those documents in accordance with the following order of priority:

1. The body of the Contract;

2. The Annexes to the Contract

34 LANGUAGES

All documentation and correspondence that has to be prepared by the Parties will be drafted in English. Any documents required by the Spanish authorities shall be written in Spanish, unless accepted in English.

IN WITNESS WHEREOF, this Agreement is signed in two originals, both to the same effect, at the place and date first above mentioned.

/s/ Raphael de Ilata	[signed illegible]
THE CLIENT	THE CONTRACTOR

ANNEX I
SCOPE OF SUPPLY

ANNEX I
SCOPE OF SUPPLY

EQUIPMENT AND SERVICES PROVIDED

1.0 BACKGROUND

The objective of the Santona Wave Energy Project (SWEP) is to install and operate a 1.39 MW pilot wave powered electrical generating system located off the northern coast of Spain. The SWEP project consists of several phases. Phase 1 (now complete) consisted of project scoping, planning and design. Phase 2A consists of design modification, fabrication, and installation of a 40 kW capacity PowerBuoy. Further phases will consist of design modification, construction, and installation of multiple, PB-150 PowerBuoys.

2.0 SCOPE

This document describes the scope of supply that will be provided by Ocean Power Technonologies, Ltd., (OPT) for Phase 2A of the SWEP Project. Key areas of work are summarized as follows:

Project Management

Site Work

- Final Seabed Survey of Cable Route and Buoy Field
- GeoTechnical Studies
- ADCP Deployment and Data Analysis

Design Adaptation for Chosen Site
- Site Finalization Studies
  - Site Planning and Development of Final Layout and Specifications
- Adjustment of Technology to Suit Chosen Site
  - Design Adaptation of Anchor and Mooring
  - Design Adaptation of PB40ES PowerBuoy
  - Design Adaptation of Power Collection Pod

Material Procurement, Manufacture, Assembly and Test
- Selection of Manufacturers, Subcontractors, and Component Suppliers
- PB40ES Buoy with Power Take Off and Power Conversion Equipment
- PB40ES Anchor and Mooring System
- PowerBuoy Supervisory Control and Data Acquisition (SCADA) System
- Power Collection Pod
- [**]
- Offshore Material Staging

Site Preparation
- Offshore Site Preparation
- Onshore Site Preparation

Installation
- Selection and Engagement of Subcontractors
- Power Collection Pod Installation
- [**]
- PB40ES Anchor and Mooring System Installation
- PB40ES Buoy System Installation
- Onshore Station SCADA System

Commissioning

3.0 WORK DESCRIPTION

3.1 PROJECT MANAGEMENT

OPT shall provide project management for the complete project. Key responsibilities of the project management function are planning and scheduling, contractor management, authorization, issuing and follow up of work order, arrangement of transportation and logistics, purchasing, quality management, and cost control. The project management function shall also be responsible for the preparation of bid packages for contractor quotations and technical documentation according to Annex IX.

3.2 SITE WORK

3.2.1 FINAL SEABED SURVEY OF CABLE ROUTE AND BUOY FIELD

A bathymetric survey of the entire buoy field, final proposed cable route, pod location and anchor positions for the PB40ES shall be conducted. Additional detailed surveys shall be conducted to determine exact location for placement of cable landing, cable route, and cable anchors to the seabed.

3.2.2 GEOTECHNICAL STUDIES

Necessary geotechnical studies shall be conducted to characterize soils and seabed conditions in order to determine required anchoring methods.

3.2.3 ADCP DEPLOYMENT AND DATA ANALYSIS

An Acoustic Doppler Current Profiler (ADCP) will be deployed at the site in order to measure the wave energy input to the PowerBuoy system. OPT will carry-out deployment, retrieval, and download and analysis of wave date from the ADCP.

3.3 DESIGN ADAPTATION FOR CHOSEN SITE

3.3.1 SITE FINALIZATION STUDIES

SITE PLANNING AND DEVELOPMENT OF FINAL LAYOUT

A final site plan layout with locations of all equipment identified shall be prepared.

3.3.2 ADAPTATION OF TECHNOLOGY TO SUIT CHOSEN SITE

3.3.2.1 DESIGN ADAPTATION OF PB40ES ANCHOR AND MOORING

The anchor and mooring system design shall be modified for the seabed conditions at the project site according to the site survey and geotechnical studies (see 3.2.1 and 3.2.2). Design loads at the maximum sea state conditions with appropriate safety factors shall be used for hardware calculations and selection of hardware.

3.3.2.2 DESIGN ADAPTATION OF PB40ES POWERBUOY

Design modification of the PowerBuoy shall be produced containing any site specific requirements.

3.3.2.3 DESIGN ADAPTATION OF POWER COLLECTION POD

Design modifications of the Pod shall be produced containing any site specific requirements.

3.4 PROCUREMENT, MANUFACTURE, TRANSPORTATION, ASSEMBLY AND TEST

3.4.1 SELECTION OF MANUFACTURERS, SUBCONTRACTORS, AND COMPONENT SUPPLIERS

Bid packages shall be prepared and provided to potential subcontractors. The selection of contractors and manufacturers shall be evaluated on a number of factors including capability to meet project requirements, price and delivery targets. For companies outside Europe, import tax shall be considered in the price comparison. Subcontractors and manufacturers for various elements of the project shall be selected, and put under contract with specific terms issued for price, delivery, specifications, and proof of performance.

3.4.2 PB40ES BUOY

OPT shall supply a PB40ES PowerBuoy including the following equipment:

- Base PB40ES PowerBuoy Structure
  - Spar and Float Elements
  - Corrosion and Cathodic Protection System
- Attachment points for three point mooring system
- [**]
- Buoy Electrical Fault Protection System Equipment

3.4.2.1 PB40ES BUOY STRUCTURE

OPT shall provide fabrication and assembly drawings, and quality requirements for the buoy structure to selected fabricator(s) for fabrication. OPT may elect to purchase and supply particular components (client supplied material) to the fabricator.

The structure consists primarily of float and spar elements. The [**] is a [**]. The [**] is [**].

The spar section is made up of a [**].

The buoy structure is designed with attachment points for a three point mooring system, and a feature for termination of the [**].

The entire buoy structure is painted with marine grade coatings for durability and corrosion resistance. Anodes are placed in strategic locations for added corrosion protection.

Quality monitoring of the fabrication and assembly process will be performed by a combination of OPT staff and outside subcontractors in the case where special test and monitoring equipment is needed (e.g., welding inspection).

The PB40ES steel fabrication work is expected to be carried out by building various sub-assemblies, and these sections can then be transported to a staging location, shipyard or other large facility for final assembly and painting.

3.4.2.2 PB40ES POWER TAKE-OFF AND POWER CONVERSION SYSTEM ASSEMBLY

The PB40ES Buoy contains [**] that converts the linear motion of the [**] into electrical power in the form of [**]. A [**] utilizing [**] the linear motion of the float into rotary power. A [**] transforms rotary mechanical power into electrical power. A series of [**], and [**] devices produces power [**].

[**] are mounted in the [**] and connect to the [**]. In addition to providing the mechanical connection to the [**], the [**].

[**] direct the flow of [**] from the [**] to the [**], and [**] and [**] and equipment over [**] within specified levels.

[**] are mechanically mounted and coupled to [**] from the [**], producing [**].

Electrical power from the generator is [**] by [**]. The resulting [**] is stored in [**], and [**].

Various suppliers will manufacture and supply the system components. Critical components will be subject to test and inspection as necessary prior to release of goods for transport to OPT.

The [**] and [**] equipment is [**] designed to be [**] the [**] buoy structure. This [**] and [**] assembly shall be [**] for insertion into the buoy.

3.4.3 PB40ES ANCHOR AND MOORING SYSTEM

OPT shall supply an Anchor and Mooring system for the PB40ES Buoy amenable to the specific seabed conditions. The system shall include:

Seabed Anchors
Auxiliary Subsurface Buoys
Mooring lines and Hardware Equipment

System [**].

Three auxiliary subsurface buoys are installed to [**]. These buoys are built for the rated loads and marine environment with appropriate paint and cathodic protection features. The PB40ES buoy will be tethered to the mooring system using three bridles, each connected to an auxiliary subsurface buoy. The subsurface buoys shall be tethered to the seabed anchors.

Specification and bid packages shall be prepared and sent to various equipment suppliers for anchor and mooring equipment components. A supplier shall be selected, and authorized to supply components. OPT (or an authorized representative) shall perform source inspection prior to releasing the equipment for shipment to the staging site.

3.4.4 [**]

A [**] System shall be supplied for the PowerBuoy System. The system incorporates the following items and features:

[**]

OPT shall supply the [**] system including the Human Machine Interface (HMI) and communications equipment transmitting and receiving data to and from the power collection pod and [**]. Subcontractors will build, test, install and commission the necessary control panels and communication equipment. Critical components will be subject to test and inspection as necessary prior to release of goods for transport to OPT.

[**] shall integrate the [**] system with the [**]. The [**] system shall be tested with the [**] system prior to [**].

3.4.5 POWER COLLECTION POD

The power collection pod (or pod) is an at-sea central power and data collection hub that[**]. The pod consists of several major components:

- Protective Housing
- Electrical Equipment
- [**]
- Anchor and Station Keeping System

[**] will build, test, install and commission the necessary [**] will furnish necessary [**]. Critical components will be subject to [**]. The [**] shall be assembled and tested [**].

3.4.6 [**]

The [**] is a [**] with the following features:

[**]

The [**] is also a [**] with the following features:

[**]

Suppliers shall be evaluated based on their capabilities to meet product requirements, price and delivery targets. The manufactured cable shall be tested and inspected at the supplier factory as necessary prior to the next stage of manufacture or the release of goods for transport to the cable staging destination.

The [**] will be fabricated into an assembly with various subsea floats and anchor attachment points as required to allow station keeping and attachment to the PowerBuoy.

3.4.7 OFFSHORE MATERIAL STAGING

A specific site shall be selected as a staging area for final buoy assembly, material staging, system testing and placement into a harbour with accessibility to the offshore location. This location will be in close proximity to the [**], have proper facilities for final assembly work required, and located near a dock where installers can efficiently retrieve materials to be installed at the SWEP site.

[**] will ship equipment for the [**]. Several examples are as follows:

- [**]
- [**]
- [**]
- [**]

3.4.8 [**]

The [**] consists of [**] including:

[**]

The subassemblies shall be assembled into a complete buoy. Bolting, welding and painting will be required as part of the assembly process. The [**] will be accomplished with the use of equipment, such as cranes, slipways, heavy transport vehicles, and labour including painters, welders, assemblers, and riggers. Afterwards, the buoy mechanical, electrical power, communication and sensor systems shall be functionally tested. After full mechanical and electrical testing, and inspection, the buoy shall be placed into the water at dockside, ready for installation. At this point, the equipment shall be declared ready for installation off the coast of Santona, Spain.

3.5 SITE PREPARATION

3.5. 1 OFFSHORE SITE PREPARATION

Site locations for equipment placement shall be pre-surveyed and indicated with suitable markings, either physical, or GPS locators. Any required civil work such as footings, bases, on shore rock bolts for cable winches, and like equipment used for installation shall be completed by the subcontractor selected based on a bidding process.

3.5.2 ONSHORE SITE PREPARATION [**]

Required electrical substation and connection work, necessary site clearing, and installation of the cable vault shall occur during this phase and shall be carried out by the [**].

3.5.3 ONSHORE SITE WORK

The [**] shall be responsible to [**] that are supplied by the [**] and make the necessary interface connections between Client supplied equipment and equipment it supplies.

3.6 [**]

3.6.1 SELECTION AND ENGAGEMENT OF SUBCONTRACTORS

Bid packages shall be prepared and given to potential subcontractors. The selection of subcontractors shall be evaluated on a number of factors including capability to meet project requirements, price and delivery targets. Potential subcontractors will have the necessary insurance, previous experience, qualifications, equipment, and certifications. Subcontractors for various elements of the project shall be selected, and put under contract with specific terms issued for price, delivery, job specifications, and proof of performance.

OPT shall work with the selected [**] subcontractors to develop and review detailed [**]. These plans shall include identification of all materials, vessels, equipment, operation sequences, calculations of loads, vessel, operator, and equipment certifications, job safety analyses, marine regulations, communications protocols, chain of command, metocean conditions requirements for offshore work and contingency plans. An OPT employee, and/or an authorized agent shall observe and provide a quality control function during the [**] during all phases. The route will be accurately plotted in order to have a detailed record of the [**] vessel position, during all installation activities.

3.6.2 POWER COLLECTION POD INSTALLATION

The pod shall be [**] according to the [**] by the selected, qualified subcontractor(s). The [**] will commence with transport of the pod from the final assembly area to the site location. The pod will be fixed into place, and its final configuration and attachment to the seabed shall be inspected according to the installation requirements. Any prescribed system tests shall be carried out at that point.

3.6.3 SUBSEA [**] CABLE AND SUBSEA [**] CABLE ASSEMBLY INSTALLATION

The [**] Cable shall be prepared for its installation by attaching the required subsea floats and rigging points needed for station keeping. The [**] Cable shall be appropriately prepared for an efficient installation in accordance with the installation plans.

The cables shall be installed and secured by the selected, qualified subcontractor(s). The maintaining of the route wilt be ensured by the navigational system on board the installation vessel. The route wilt be accurately plotted in order to have a detailed record of the installation vessel position, during all installation activities. The minimum bending radius (MBR) and maximum specified cable tension values shall not be violated.

The cable installations shall be inspected for conformity to the requirements.

3.6.4 ANCHOR AND MOORING SYSTEM INSTALLATION

The anchor and mooring system installation shall commence with loading of the system components at the material staging area onto necessary vessel(s). The selected subcontractor(s) shall install the anchor and mooring system according to the plans. Necessary inspections shall be made, and the subcontractor shall certify work is performed to the requirements.

3.6.5 BUOY SYSTEM INSTALLATION

After the anchor and mooring system have been installed, the PB40ES PowerBuoy shall be deployed. The deployment will commence with transport of the buoy from the [**] area to the site location. The buoy shall be connected into the mooring system according to requirements. Inspections shall be made of the installed equipment.

3.6.6 ONSHORE STATION POWER EQUIPMENT INSTALLATION [**]

The [**] shall be responsible for the installation of the Onshore Electrical equipment with the exception of the Onshore Station [**] equipment.

3.6.7 [**]

[**] personnel and a qualified subcontractor shall install the [**] equipment, and make the necessary interface connections.

3.7 COMMISSIONING

A commissioning procedure developed by OPT shall be carried out by OPT and its designated subcontractor(s). The commissioning process shall be carried out in steps. The PB40ES unit then shall be brought on-line using a phased start up approach ensuring safety to equipment and personnel. See Annex XII.

ANNEX II
SCHEDULE OF WORKS/CALENDAR

Confidential Materials omitted and filed separately with the Securities and Exchange Commission.

[**]

Annex III
TECHNICAL SPECIFICATIONS OF EQUIPMENT

The preliminary versions of the following documents are attached, subject to changes, to this EPC:

- PB40ES system assembly drawing (03-May-06)

- Single line diagram revM 15-05-06 (400-150-001)

- USP Requirement specification (SPC-70-0007)_ 17-03-06

- Buoy farm protection fault protection scheme (SPC-70-0008) 14-03-06

The latest updates of the preliminary versions of the following documents, not attached and subject to changes, will be sent by the CONTRACTOR to the CLIENT within 30 days for signature of this Agreement:

- Protection interconnection diagram (400-150-002)_ revD_16_03_06

- [**] interconnection diagram (400-150-003) rev B 17_03_06

- Submarine cable specification

Confidential Materials omitted and filed separately with the

Securities and Exchange Commission.

[**]

A total of two pages have been omitted.

OCEAN POWER TECHNOLOGIES, INC.
Document No: SPC-70-0007
Title: Underwater Substation Pod (USP) Requirement Specification
Date: 17MAR06 Revision Date: ________________
Author: [**]

O.P.T.
OCEAN POWER TECHNOLOGIES, INC.

DOCUMENT NAME: UNDERWATER SUBSTATION POD (USP)
REQUIREMENT SPECIFICATION

DOCUMENT NO: SPC-70-0007

PROGRAM	Santona Wave Energy Project (SWEP)			
DOCUMENT:	Underwater Substation Pod (USP) Requirement Specification			REVISION # 0
RELEASE DATE:	17MAR06			LATEST MODIFIED DATE
AUTHOR(S):	[**]	TITLE:	[**]	SIGNATURE:
APPROVAL:	[**]	TITLE:	[**]	SIGNATURE:
		REVISION SUMMARY		
NAME/TITLE:		DATE	NOTES:	
NAME/TITLE:		DATE	NOTES:	
NAME/TITLE:		DATE	NOTES:	
NAME/TITLE:		DATE	NOTES:	
NAME/TITLE:		DATE	NOTES:	

Ocean Power Technologies, Inc.
1590 Reed Road
Pennington, New Jersey 08534

OCEAN POWER TECHNOLOGIES, INC.
Document No: SPC-70-0007
Title: Underwater Substation Pod (USP) Requirement Specification
Date: 17MAR06   Revision Date: ________________
Author: [**]

CONTENTS

Ocean Power Technologies, Inc.
1590 Reed Road
Pennington, New Jersey 08534

OCEAN POWER TECHNOLOGIES, INC.
Document No: SPC-70-0007
Title: Underwater Substation Pod (USP) Requirement Specification
Date: 17MAR06   Revision Date: ________________
Author: [**]

1. INTRODUCTION

This document details the requirements for an [**]

A total of 3.5 pages have been redacted. [**]

2. SCOPE

[**]

3. OVERALL SYSTEM DESIGN

3.1 STANDARDS

Individual items of equipment and the overall system (as applicable) shall comply with all relevant International Standards.

[**]

3.2 STATUTORY AND REGULATORY REQUIREMENTS

Statutory and Regulatory requirements imposed by governmental agencies are legal requirements and cannot be waived by contractual conditions or relaxation.

In the European Community (EC) these requirements may arise from European Directives, enforced in each member state by national legislation.

These requirements shall be adhered to for all equipment supplied and/or services provided, even though equipment for offshore application may appear to be excluded from some provisions of the requirements.

[**]

OCEAN POWER TECHNOLOGIES, INC.
Document No: SPC-70-0007
Title: Underwater Substation Pod (USP) Requirement Specification
Date: 17MAR06 Revision Date: ________________
Author: [**]

EC DIRECTIVES

[**]

3.3 ENVIRONMENT

3.3.1 EXTERNAL

Site location:	[**]
In service depth:	[**]
Seabed geology:	[**]
Maximum water temperature at [**]m:	[**]
Maximum sea current at [**]m:	[**]
Maximum tidal variation	[**]

3.3.2 INTERNAL

Nominal pressure:	[**]
Atmosphere:	[**]
Humidity:	[**]
Equipment operating temperature range:	[**]
Equipment non-operating and storage temperature range:	[**]

Note:

[**]

3.4 OVERALL MASS

[**]

3.5 LIFE

The equipment shall be designed with a [**] year, operational life.

3.6 RELIABILITY

The design philosophy shall be carefully considered to maximise reliability and availability. [**]

3.7 MAINTAINABILITY

The expected maintenance service interval is once every [**] years.
[**]

[**]

3.8 BLACK START

[**]

3.9 CONTROLLED SHUTDOWN

[**]

4. MECHANICAL DESIGN

The design shall be [**]

4.1 PRESSURE VESSEL

Dimension(s): [**]

[**]

Pressure rating: [**]

4.2 ADDITIONAL REQUIREMENTS

4.2.1 [**]

[**]

4.2.2 PROTECTIVE CAGE FRAME

[**]

4.2.3 DEPLOYMENT AND RAISING

[**]

4.2.4 [**]

[**]

4.2.5 SEABED ANCHORING

[**]

4.2.6 CORROSION PROTECTION

[**]

5. ELECTRICAL DESIGN AND INTERNAL FUNCTIONS

The following internal functions shall be provided in the USP:

[**]

5.1 GENERAL

5.1.1 EQUIPMENT PROTECTION RATING

Items of electrical equipment within the USP shall have a minimum protection rating of [**]

5.1.2 INTERNAL POWER DISSIPATION AND LOSSES

The internal power dissipation for all active components shall be [**].

Overall system losses [**]

5.1.3 Cable management

5.1.3.1 Vessel Penetrations

[**]

5.1.3.2 [**]

[**]

5.1.3.3 [**]

[**]

5.1.3.4 INTERNAL

[**]

5.1.4 EARTHING (GROUNDING)

[**]

5.1.5 EQUIPMENT, MODULE AND COMPONENT IDENTIFICATION

All items of equipment, modules and components shall be clearly and permanently labelled with their reference per equipment layouts and wiring diagrams. Labels shall be securely fastened to the mounting panel or frame etc. so that they are not removed when a module or component is removed.

5.2 [**]

[**]

5.3 [**]

[**]

5.4 CONTROL AND AUTOMATION

5.4.1 GENERAL [**].

[**]

5.4.2 USP [**]

The Underwater Substation Pod is equipped with [**]

5.5 ANCILLARY EQUIPMENT

5.5.1 AUXILIARY SUPPLIES AND DISTRIBUTION

[**]

5.5.2 [**]

[**]

5.6 ELECTRICAL INTERFACES

5.6.1 BUOY OUTPUTS

[**]

5.6.2 USP OUTPUT

[**]

6. ENVIRONMENT MANAGEMENT

6.1 COOLING

[**]

6.2 [**]

[**]

6.3 MONITORING

The following environment monitoring sensors shall be provided. [**]

7. TESTING

[**]

8. [**]

[**]

8.1 MONTHLY STATUS EMAIL

[**]

8.2 PRELIMINARY DESIGN REPORT

The preliminary design report shall include the following components:

[**]

8.3 FINAL DESIGN REPORT

The final design report shall include the following components:

[**]

8.4 ACCEPTANCE TEST PLAN

This plan is due no later than [**] prior to the Preliminary Design review and shall include plans for proving compliance to all applicable requirements.

8.5 ACCEPTANCE TEST PROCEDURE

For those items that were identified in the Test Plan for Testing or Demonstration, a procedure shall be present in the Acceptance Tests Procedure document.

8.6 TEST REPORT

[**]

8.7 INSTRUCTIONAL MANUAL

[**]

8.8 [**]
[**]

9. [**]

9.1 [**]

[**]

9.2 RISK MITIGATION

[**]

9.3 PROGRAMME

[**]

9.4 [**]

[**]

9.5 SPARES

[**]

10. SPECIAL TOOLS

[**]

11. [**]

[**]

12. MODIFICATION RECORD

REVISION	DATE	AUTHOR	DETAILS
0	17MAR06	[**]	Initial Issue

ANNEX IV
MONTHLY REPORT CONTENTS

ANNEX IV
MONTHLY REPORT CONTENTS

1. INTRODUCTION

2. MANAGEMENT, MONITORING AND CONTROL

    2.1 Equipment manufacture

    2.2 Storing of materials

    2.3 Mounting of Equipment

    2.4 Miscellaneous

3. ESTIMATED ACTIVITIES FOR NEXT MONTH

4. PROGRAMME

    4.1 Advanced

    4.2 Deviations

    4.3 Updates

5. BUDGET

    5.1 Executed

    5.2 Pending

6. HEALTH AND SAFETY

7. QUALITY CONTROL

8. PHOTOGRAPHIC REPORT

ANNEX V

SCHEDULE OF MILESTONES

ANNEX V
SCHEDULE OF MILESTONES

NO.	MILESTONE	FORECAST DATE	% OF CONTRACT PRICE	AMOUNT (KC)	EVIDENCE OF COMPLETION
1	[**]	[**]	[**]	[**]	[**]
2	[**]	[**]	[**]	[**]	[**]
3	[**]	[**]	[**]	[**]	[**]
4	[**]	[**]	[**]	[**]	[**]
5	[**]	[**]	[**]	[**]	[**]
6	[**]	[**]	[**]	[**]	[**]
7	[**]	[**]	[**]	[**]	[**]
8	[**]	[**]	[**]	[**]	[**]
9	[**]	[**]	[**]	[**]	[**]
10	[**]	[**]	[**]	[**]	[**]
11	[**]	[**]	[**]	[**]	[**]
12	[**]	[**]	[**]	[**]	[**]
13	[**]	[**]	[**]	[**]	[**]
14	[**]	[**]	[**]	[**]	[**]
15	[**]	[**]	[**]	[**]	[**]
16	[**]	[**]	[**]	[**]	[**]
17	[**]	[**]	[**]	[**]	[**]
SUBTOTAL			100%	[**]	

ANNEX VI

MODEL OF PROVISIONAL ACCEPTANCE CERTIFICATE

ANNEX VI

MODEL OF PROVISIONAL ACCEPTANCE CERTIFICATE

(TITLE OF CONTRACT)

PLANT PROVISIONAL ACCEPTANCE CERTIFICATE

NOTIFICATION No. _________

DATE _____________________

As of _____________ (date), (THE SUPPLIER) delivers and ___________, S.A. provisionally receives all the Equipment _____ of the ___________ Plant, in accordance with the terms of the Contract made between ___________, S.A. and ___________, S.A. on ___________________________________.

(THE SUPPLIER)

ANNEX: (List of Jobs Pending). The Parties agree that the jobs pending and included in this list must be remedied during the Testing Period.

ANNEX VII
MODEL OF DEFINITIVE ACCEPTANCE CERTIFICATE

ANNEX VII
MODEL OF DEFINITIVE ACCEPTANCE CERTIFICATE

(TITLE OF CONTRACT)

PLANT DEFINITIVE ACCEPTANCE CERTIFICATE

NOTIFICATION No. ___________

DATE _______________________

As of __________ (date), (THE SUPPLIER) delivers and ____________, S.A. definitively receives all the Equipment of the ____________ Plant, in accordance with the terms of the Contract made between ____________, S.A. and ____________, S.A. on ____________.

(THE SUPPLIER) ____________________, S.A.

ANNEX VIII
PERFORMANCE BOND / LETTER OF CREDIT

THE DRAFT FOR THE LETTER OF CREDIT WILL BE SENT BY THE CONTRACTOR WITHIN 30 DAYS FROM SIGNATURE OF THIS AGREEMENT FOR APPROVAL BY THE CLIENT.

ANNEX IX
TECHNICAL DOCUMENTATION

ANNEX IX
TECHNICAL DOCUMENTATION

1. GENERAL

Periodic report of project advance

2. BASIC ENGINEERING

General system overview

PB40ES operation philosophy (including operating modes description)

General arrangement drawings

Electrical single-line diagram

Control and protection system configuration schemes

Electrical protection equipment definition

[**]

Engineering, manufacture, assembly and commissioning planning

Quality Assurance Plan

Inspection programs for main equipment

Plot of [**] versus [**]

Guaranteed values table

Procedure indicating how and where to measure the guaranteed values

3. DETAILED ENGINEERING

General assembly drawing of the PB40ES [**]

Single line diagram [**]

SCADA system architectural diagram

Underwater substation pod (USP) requirement specification

Submarine cable specification

Buoy farm protection fault protection scheme

Protection interconnection diagram

SCADA interconnection diagram

General system overview

General assembly of the underwater substation pod (USP)

Legalization documentation of the equipment [**]

General assembly drawings of the [**] underwater cable fixings

Connection to dry land cable terminals drawings

Main equipment awarding of the order documentation

Electrical schemes of the USP equipment [**]

Electrical interconnection schemes of the whole system

Mooring system calculations

Short circuit calculations

Voltage losses calculations

Selectivity studies

USP earthing drawings

Transformer curves; no load losses, intensities, etc.

4. MANUFACTURE

Periodic manufacture advance reports

Certificate of transformer tests

5. ASSEMBLY

Periodic assembly advance reports

6. COMMISSIONING

General description

Procedures and protocols

Operation and Maintenance (O&M) Manuals (including [**], and Electrical protection equipment adjustment protocol)

Quality final dossier

ANNEX X
COMMISSIONING PROTOCOL

ANNEX X
COMMISSIONING PROTOCOL

COMMISSIONING PLAN

1.0 SCOPE

This document sets forth the outline for the Commissioning Plan of the SWEP2A program. It is intended to provide a basis for a detailed test plan that will be generated during the program, as required by the EPC Agreement.

This document forms a part of the "Engineering, Procurement, and Construction of a Wave Energy Power Plan at Punta Del Pescador" Agreement (EPC Agreement). This document is not intended to be stand alone. Terms included in this document shall take the defined meaning from the EPC Agreement.

2.0 REFERENCED DOCUMENTS

The following documents form a part of this document to the extent they are referenced. In the event of a conflict between this document and those referenced, the referenced document shall prevail.

2.1 CONTRACTOR DOCUMENTS

[**]

2.2 CLIENT DOCUMENTS

None

3.0 COMMISSIONING TEST PLAN OUTLINE

3.1 GENERAL OVERVIEW

The Commissioning phase of the SWEP 2A program will consist of a [**]. The result of a successful review of test results is the Certificate of Completion of Commissioning and an issuance of the Preliminary Acceptance Certificate (PAC).

Commissioning shall be accomplished in order to determine compliance against the SWEP Phase 2A Wave Power Station Requirement Specification. In accordance with this specification, requirements require testing, demonstration, inspection, or analysis for determination of compliance. When the compliance phase begins, the Contractor will conduct testing and demonstrations for requirements that require these determination methods. Evidence of compliance for requirements requiring inspection or analysis will be reviewed in the Test Results stage, as discussed below.

3.2 TEST PLANNING

The Contractor shall plan for the verification of requirements requiring testing or demonstration in the Commissioning Test Plan. The Commissioning Test Plan shall document, in sufficient detail, the conduct of the testing and shall include Test Procedures for those tests that require them. Procedures generated shall include:

1) Specific Descriptions of

   a) Test Setup

   b) Instrumentation

   c) Test Data to be extracted

   d) Pass/Fail Requirements

   e) Personnel Requirments

   f) Anticipated duration of the test

   g) Requirements flow

2) Clear directions for execution of the test

3) Ability to repeat test and duplicate test results

4) Test Data Sheets for test results recording and witness signatures

3.3 TEST EXECUTION

Once the Commissioning Test Plan is completed and the [**], the Contractor may begin the [**]. The testing shall follow the test plan and may be witnessed by the Client, in accordance with the terms of the EPC agreement.

All test results shall be recorded and signed by the witnessing parties.

3.4 TEST RESULTS

Once the testing is completed, a Test Report shall be generated. The test report shall include the following information:

1) Summary of Testing

2) Analysis of Results

3) Any Corrective Actions required

4) Requests for Deviations of requirements, if required

5) Copies of all test data sheets

6) Analysis, or reference to analysis documents

7) Inspection reports, or reference to inspection documents

8) Summary compliance matrix

3.5 REVIEW OF RESULTS

Once the Test Report is generated and supplied to the Client, a review of the results will take place. This review will result ina signed copy of the Certificate of Completion of Commissioning and a Preliminary Acceptance Certificate, or an action plan to meet these milestones.

3.6 TESTS TO BE INCLUDED

[**]

ANNEX XI

LIST OF SUBCONTRACTORS

ANNEX XI

LIST OF POTENTIAL SUBCONTRACTORS

SUBCONTRACTOR	LOCATION	COMPONENTS
[**]	[**]	Steel Fabrication
[**]	[**]	Steel Fabrication
[**]	[**]	Steel Fabrication
[**]	[**]	[**]
[**]	[**]	[**]
[**]	[**]	[**]
[**]	[**]	[**]
[**]	[**]	[**]
[**]	[**]	[**]
[**]	[**]	Generators
[**]	[**]	Generators
[**]	[**]	Generators
[**]	[**]	Mooring System
[**]	[**]	[**]
[**]	[**]	Mooring components
[**]	[**]	Mooring components
[**]	[**]	[**]
[**]	[**]	[**]
[**]	[**]	Submarine Cable
[**]	[**]	Submarine Cable
[**]	[**]	Submarine Cable
[**]	[**]	Submarine Cable
[**]	[**]	Submarine Cable
[**]	[**]	Submarine Cable
[**]	[**]	Connectors
[**]	[**]	Cable & Fibre Optic Connectors
[**]	[**]	Connectors
[**]	[**]	Transformer/Switchgear
[**]	[**]	Transformer/Switchgear
[**]	[**]	Subsea Transformer/Switchgear
[**]	[**]	Subsea Equipment
[**]	[**]	Subsea Equipment
[**]	[**]	Subsea Equipment
[**]	[**]	Transformer/Switchgear
[**]	[**]	Transformer/Switchgear
[**]	[**]	Transformer/Switchgear
[**]	[**]	Transformer/Switchgear
[**]	[**]	Power electronics
[**]	[**]	Power system
[**]	[**]	[**]
[**]	[**]	[**]
[**]	[**]	Cable system design, cable, connectors, installation
[**]	[**]	[**]
[**]	[**]	[**]
[**]	[**]	Design Naval Vessels

[**]	[**]	[**]
[**]	[**]	Port Facilities
[**]	[**]	Assembly (Shipyard)
[**]	[**]	Geotechnical survey
[**]	[**]	Geotechnical survey
[**]	[**]	Geotechnical survey
[**]	[**]	Geotechnical survey
[**]	[**]	[**]

ANNEX XII

LIST OF AUTHORIZATIONS AND PERMITS WHICH MUST BE OBTAINED BY THE CLIENT AND TIMELINE

ANNEX XII

LIST OF AUTHORIZATIONS AND PERMITS REQUIRED

SPANISH	ENGLISH	ORGANO QUE TRAMITA	FOR WHAT?
[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]

ANNEX XIII

LOCATION OF THE PLANT

Confidential materials omitted and filed separately with the

Securities and Exchange Commission.

[**]

A total of two pages have been redacted.

ANNEX XIV

PREDICTED TECHNICAL PERFORMANCE

The following table (Table 1) is used to calculate the predicted performance based on measured wave data:

TABLE 1: THEORETICAL POWER TABLE FOR THE PB40ES POWERBUOY

[**]

In order to use this table [**]. Wave data measured includes: [**]. The table assumes [**]

For each measurement interval [**]

For example, a measurement of: [**].

As a second example, [**].

[**].

PROBABILITY DISTRIBUTION OF WAVEHEIGHTS. SANTONA

[**]

FIGURE 1 [**]

[**]

The following table outlines the average seasonal output of the PB40ES PowerBuoy:

TABLE 2 SEASONAL AVERAGE OUTPUT OF PB40ES POWERBUOY IN THE WAVE CLIMATE PROVIDED BY [**] (DATA SHOWN IN TABLE 3.)

SEASON	AVAILABLE ENERGY(1) (MWH)	EXPECTED AVAILABILITY FACTOR	PREDICTED ENERGY PRODUCTION(1) (MWH)
WINTER	[**]	[**]	[**]
SPRING	[**]	[**]	[**]
SUMMER	[**]	[**]	[**]
AUTUMN	[**]	[**]	[**]
ANNUAL	[**]	[**]	[**]

- ----------
(1) Based on the wave data in table 3

TABLE 3 [**] [**], PROVIDED TO OPT ON [**]

	[**]	0.5	1	1.5	2	2.5	3	3.5	4	4.5	5	5.5	6	6.5
[**]														
	3	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	4	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	5	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	6	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	7	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	8	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	9	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	10	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	11	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	12	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	13	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	14	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	15	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	16	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]

The average wave power at the site, calculated from the above [**].

This leads to a wave-to-wire efficiency of [**] (This is also called "[**]").

Please note that this [**].

O.P.T.
OCEAN POWER TECHNOLOGIES, INC.

SANTONA WAVE ENERGY PROJECT

BUOY FARM PROTECTION FAULT PROTECTION SCHEME

DOCUMENT NO: [**]

PROGRAM:	SWEP				
DOCUMENT:	Buoy Farm Protection Relay Scheme Description			REVISION #	0
RELEASE DATE:	March 14, 2006			LATEST MODIFIED DATE	March 14, 2006
AUTHOR(S):	______________	TITLE:	___________________	SIGNATURE:	________________________
				SIGNATURE:	________________________
APPROVAL:	[**]	TITLE:	Director Electrical Engineering	SIGNATURE:	________________________

REVISION SUMMARY

NAME/TITLE:	________________	DATE:	______________	NOTES:	_____________________
NAME/TITLE:	________________	DATE:	______________	NOTES:	_____________________
NAME/TITLE:	________________	DATE:	______________	NOTES:	_____________________
NAME/TITLE:	________________	DATE:	______________	NOTES:	_____________________
NAME/TITLE:	________________	DATE:	______________	NOTES:	_____________________

[**]

INTRODUCTION

[**]

Protective relaying for this project follows the general relaying concepts to provide the following:

1. Reliability - to meet system needs that dependably handle trouble

2. Selectivity - provide maximum continuity of service, isolate trouble spots and allow balance of system to operate

3. Speed - remove fault and minimize damage

4. Simplicity - minimum amount of equipment to provide maximum protection

5. Economy - minimum cost for maximum protection

REFERENCES

SWEP One Line [**]

SWEP Protection Interconnection Diagram [**]

HIGH LEVEL REQUIREMENTS

The basic premises used for the relay scheme are as follows:

1. [**]

2. [**]

3. [**]

PROTECTION DESCRIPTION

[**]

[**] the [**] in the event that the [**] is damaged or develops an internal fault. Relay operation will [**] the [**] and [**] from the [**] as well as [**] the relay will not operate.

[**]

[**] provides [**] for the [**]. As indicated on the drawing, [**] have [**] adding to the overall protection scheme. The [**] relay offers [**]. The relay [**] on [**] when the [**], preventing [**]. Since the relay is of a [**] it will be capable of providing [**] and [**] on the [**] of the [**]. Relay will also provide [**] for the [**].

[**]

[**] are shown in this [**] is an [**] relay, an [**] that operates when the [**] and a [**].

The [**] relay is designed to [**] in the event that the [**] that would be detrimental to the [**] and could potentially cause [**] from the [**]. Conversely the [**] would [**] from the [**] in the event that the [**] in the system [**].

The [**] relay is placed into the system to [**]. This is required in the event that the [**]. The possibility exists that there may be [**]. The [**] needs the utility as a means for [**] and the [**] as long as the utility is [**]. Should the [**] become [**] from the [**], the [**] supplied by the [**] will not have a [**] and will not [**]. The [**] relay provides a simple and effective method to [**] and [**] from the utility. The [**] is set to [**]. Since this should not occur under normal conditions, [**].

[**]

Since the electrical equipment will be located in a submersible enclosure, it is necessary to [**] relaying provides a high speed method to detect a [**]. The [**] overlaps the [**] providing addition protection. As previously stated, the [**] will [**] on [**] giving additional reliability for the system.

[**]

Each [**] located in the submersible enclosure is [**]. Each [**] is equipped with a [**] will be [**] and also [**].

[**]

The [**]. The [**] will convert the [**]. The [**] is then converted to [**] that will be [**]. The [**] has [**]. Additionally the [**] ahead of the [**] will also act to as a [**].

.
.
.

Exhibit 10.2

Confidential Materials omitted and filed separately with the

Securities and Exchange Commission. Asterisks denote omissions.

AWARD/CONTRACT

1. THIS CONTRACT IS A RATED ORDER UNDER DPAS (15 CFR 350) RATING DO-C9(U)

PAGE OF PAGES 1 | 14

2. CONTRACT (PROC. INST. IDENT.) NO. N00014-05-C-0384

3. EFFECTIVE DATE SEE BLOCK 20.C.

4. REQUISITION/PURCHASE REQUEST/PROJECT NO. 05PR09436-00

ISSUED BY CODE N00014
OFFICE OF NAVAL RESEARCH
ONR 254 Brian Murphy (703)696-0030
E-mail: brian_murphy@onr.navy.mil
875 North Randolph St. Suite 1425
Arlington VA 22203-1995

6. ADMINISTERED BY (if other than item 5) CODE S3915A
DCM Philadelphia
PO Box 11427
700 Robbins Avenue, Bldg. 4A
Philadelphia, PA 19111-0427

7. NAME AND ADDRESS OF CONTRACTOR (No., street, city, country, State and ZIP Code)

Ocean Power Technologies, Inc.
1590 Reed Road
Pennington, NJ 08534

CODE 043P7 FACILITY CODE

8. DELIVERY
[ ] FOB ORIGIN [ ] OTHER (see below)

9. DISCOUNT FOR PROMPT PAYMENT
N.A.

10. SUBMIT INVOICES (4 copies unless otherwise specified) TO THE ADDRESS SHOWN IN: ITEM See Section G.

11. SHIP TO/MARK FOR CODE N00014
OFFICE OF NAVAL RESEARCH
Attn: Code 334, Paula Furman
875 North Randolph St. Suite 1425
Arlington VA 22203-1995

12. PAYMENT WILL BE MADE BY CODE HQ0337
DFAS COLUMBUS CENTER DFAS
CO NORTH ENTITLEMENT OPERATIONS
PO BOX 182266
COLUMBUS, OH 43218-2266

13. AUTHORITY FOR USING OTHER THAN FULL AND OPEN COMPETITION
[ ] 10U.S.C.2304(c)( ) [ ] 41U.S.C.253(C)( )

14. ACCOUNTING AND APPROPRIATION DATA
SEE ATTACHED FINANCIAL ACCOUNTING DATA (FAD) SHEET(S)

15A. ITEM NO.	15B. SUPPLIES/SERVICES	15C. QUANTITY	15D. UNIT	15E. UNIT PRICE	15F. AMOUNT
See Section B of Schedules					

15G. TOTAL AMOUNT OF CONTRACT See Section B. of Schedule

16. TABLE OF CONTENTS

CONTRACTING OFFICER WILL COMPLETE ITEM 17 OR 18 AS APPLICABLE

17. [ ] CONTRACTOR'S NEGOTIATED AGREEMENT (Contractor is required to sign this document and return 2 copies to issuing office.) Contractor agrees to furnish and deliver all items or perform all the services set forth or otherwise identified above and on any continuation sheets for the consideration stated herein. The rights and obligations of the parties to this contract shall be subject to and governed by the following documents: (a) this award/contract, (b) the solicitation, if an, and (c) such provisions, representations, certifications, and specifications, as are attached or incorporated by reference herein. (Attachments are listed herein.)

18. [ ] AWARD (Contractor is not required to sign this document.) Your offer on Solicitation Number ______, including the addition or changes made by you which additions or changes are set forth in full above, is hereby accepted as to items listed above and on any continuation sheets. This award consummates the contract which consists of the following documents: (a) the Government's solicitation and your offer, and (b) this award/contract. No further document is necessary.

19A. NAME AND TITLE OF SIGNER (Type or print)
Charles F. Dunleavy
C.F.O.

20A. NAME OF CONTRACTING OFFICER
R. Brian Bradley
Contracting Officer

19B. NAME OF CONTRACTOR 19C. DATE SIGNED

20B. UNITES STATES OF AMERICA 20C. DATE SIGNED

BY /s/ Charles F. Dunleavy 20 Sept 2005
(Signature of person authorized to sign)

BY /s/ R. Brian Bradley SEP 20 2005
(Signature of Contracting Officer)

NSN 7540-01-152-8069 26- 107 STANDARD FORM 26 (REV. 4-85)
PREVIOUS EDITION UNUSABLE Prescribed by GSA
FAR (48 CFR) 53.214 (a)

SECTION B - SUPPLIES OR SERVICES AND PRICES/COSTS

ITEM NO.	SUPPLIES/SERVICES	ESTIMATED COST	FIXED FEE	TOTAL ESTIMATED COST & FIXED FEE
0001	The Contractor shall furnish the necessary personnel and facilities to conduct the research effort as described in Section C and provide reports and data in accordance with Exhibit A.	$[**]	$[**]	$2,799,405
000101	ACRN: AA $2,799,405			
TOTAL ESTIMATED CONTRACT CONSIDERATION:		$[**]	$[**]	$2,799,405

SECTION C - DESCRIPTION/SPECIFICATIONS/WORK STATEMENT

1. The research effort to be performed hereunder shall be subject to the requirements and standards contained in Exhibit A and the following paragraph(s).

2. The Contractor shall conduct the research effort under CLIN 0001, submitted under Topic Number N95-074, in accordance with Attachment Number 1, entitled "Statement of Work".

SECTION D - PACKAGING AND MARKING

Preservation, packaging, packing and marking of all deliverable contract line items shall conform to normal commercial packing standards to assure safe delivery at destination.

All reports, briefs, technical documents, etc. submitted to the Government under this contract should contain the following legend:

SBIR or STTR DATA RIGHTS

Topic Number: __________________________________

Contract No.: __________________________________

Contractor Name: _______________________________

Contractor Address: ____________________________

The Government's rights to use, modify, reproduce, release, perform, display, or disclose technical data or computer software marked with this legend are restricted as provided in paragraph (b)(4) of DFARS 252-227-7018, Rights in Noncommercial Technical Data and Computer Software--Small Business Innovative Research (SBIR) Program.

SECTION E - INSPECTION AND ACCEPTANCE

Inspection and acceptance of the final delivery under this contract will be accomplished by the Program Officer designated in Section F of this contract, who shall have thirty (30) days after contractual delivery for acceptance.

Contract Number: N00014-05-C-0384

SECTION F - DELIVERIES OR PERFORMANCE

1. The research effort performed under CLIN 0001 shall be conducted from date of contract award through 31 March 2007.

2. Distribution, consignment and marking instructions for all contract line items shall be in accordance with Enclosure Number 1 of Exhibit A. The address for the cognizant Program Officer is as follows:

Program Officer
Office of Naval Research
875 North Randolph St. Suite 1425
Arlington, Virginia 22203-1995
Attn: Paula Furman Code: 334
Ref: Contract N00014-05-C-0384

SECTION G - CONTRACT ADMINISTRATION DATA (02/14/05)

1. PAYMENT AND INVOICE INSTRUCTIONS (COST REIMBURSEMENT)

1.1 SUBMISSION OF INVOICES

PAYMENT AND INVOICE INSTRUCTIONS (COST TYPE)

The Office of Naval Research will utilize the new DoD Wide Area Workflow Receipt and Acceptance (WAWF) system. This web based system located at https://wawf.eb.mil provides the technology for government contractors and authorized Department of Defense (DoD) personnel to generate, capture and process receipt and payment-related documentation in a paperless environment. Invoices for supplies/services rendered under this contract shall be submitted electronically through WAWF. Submission of hard copy DD250/Invoice/Public Vouchers (SF1034) will no longer be accepted for payment.

It is recommended that the person in your company designated as the Central Contractor Registration (CCR) Electronic Business (EB) Point of Contact and anyone responsible for the submission of invoices, use the online training system for WAWF at http://wawftraining.com. The Vendor, Group Administrator (GAM), and sections marked with an asterisk in the training system should be reviewed. Vendor Quick Reference Guides are also available at http://www.acquisition.navy.mil/navyaos/content/view/full/3521/). The most useful guides are "Getting Started for Vendors", "WAWF Vendor Guide", and "Creating a Cost Voucher Invoice."

The designated CCR EB point of contact is responsible for activating the company's CAGE code on WAWF by calling 1-866-618-5988. Once the company is activated, the CCR EB will self-register on the WAWF and follow the instructions for a group administrator. After the company is set-up on WAWF, any additional persons responsible for submitting invoices must self-register at the WAWF HTTPS://WAWF.EB.MIL.

The following required information should automatically fill-in via WAWF; if it does not fill-in, include the following:

Issue By DODAAC: N00014 Admin DODAAC: [Use the 6 character "ADMINISTERED BY" CODE as listed on page one of the award document]

Pay DODAAC: [Use the 6 character "PAYMENT WILL BE MADE BY" CODE as listed on page one of the award document]

Contract Number: N00014-05-C-0384

Fill-in the following additional information:

DCAA Auditor DODAAC: [Look up via the AUDIT OFFICE LOCATOR at http://www.dcaa.mil. If you encounter any problems finding your cognizant audit office, write to dcaaweb@dcaa.mil or call ONR's DCAA liaison at (703)696-2603]
Service Approver DODAAC: N00014

The following additional information may need to be filled in:

LPO DODAAC: N00014 (Note - this line is required only when the "PAYMENT WILL BE MADE BY" DODAAC begins with an 'N')

After self-registering and logging on to the WAWF system, click on the plus sign next to the word "Vendor" and then click on the "Create New Document" link. Enter the contract number, cage code, and Pay DODAAC (above) and hit submit. Select the "Cost Voucher" invoice type within WAWF-RA. This type of invoice fulfills any requirement for submission of the Material Inspection and Receiving Report, DD Form 250. Back up documentation, 5MB limit, can be included and attached to the invoice in WAWF under the "Misc Info" tab. Fill-in all applicable information under each tab.

Take special care when you enter Line Item information - the Line Item tab is where you will detail your request for payment and material/services that were provided based upon the contract. Be sure to fill in the following two informational items exactly as they appear in the contract:

Item Number: If the contract schedule has more than one ACRN listed as sub items under the applicable Contract Line Item Number (CLIN), use the 6 character separately identified Sub Line Item Number (SLIN) (e.g. - 0001AA) or Informational SLIN (e.g. - 000101), otherwise use the 4 character CLIN (e.g. - 0001).

ACRN: Fill-in the applicable 2 alpha character ACRN that is associated with the SLIN or CLIN. (Note - DO NOT INVOICE FOR MORE THAN IS STILL AVAILABLE UNDER ANY ACRN).

Special Payment Instructions for CLIN/SLINs with Multiple ACRNs/Lines of Accounting: (Note - since WAWF does not accept the use of multiple ACRNs for any single CLIN or SLIN on one invoice; multiple invoices may have to be used - use the WAWF "Line Item" "Description" area to note the use of multiple invoices). For all invoices submitted against CLINs with multiple Accounting Classification Reference Numbers (ACRNs), the billing shall be paid from the earliest Fiscal Year (FY) appropriation first. Fiscal Year is determined from the 3rdcharacter in the "Appropriation (Critical)" part (Block 6B) of the Line of Accounting on the Financial Accounting Data Sheet of the contract (e.g., 1741319 for FY 2004 and 1751319 for FY 2005). In the event there are multiple ACRNs with the same FY of appropriation, billings shall be proportionally billed to all ACRNs for that FY in the same ratio that the ACRNs are obligated.

After all required information is included, click on the "Submit" button under the "Header" tab.

Helpful Note: Shipment Number format should be three alpha and 4 numeric (e.g., SER0001).

Note: The contractor shall submit invoices for payment per contract terms and the Government shall process invoices for payment per contract terms.

If you have any questions regarding the WAWF, please contact the DoN WAWF Assistance Line at 1-866-618-5988.

Contract Number: N00014-05-C-0384

1.2 PAYMENT OF ALLOWABLE COSTS AND FIXED FEE

As consideration for the proper performance of the work and services required under this contract, the Contractor shall be paid as follows:

(a) Costs, as provided for under the contract clause entitled "Allowable Cost and Payment," shall not exceed the amount set forth as "Estimated Cost" in Section B, and is subject to the contract clause entitled "Limitation of Cost" or "Limitation of Funds" whichever is applicable.

(b) A fixed fee, in the amount set forth as 'Fixed Fee' in Section B, in accordance with the contract clause FAR 52.216-8 "Fixed Fee", shall be paid upon completion of the work and services required under this contract and upon final acceptance by the Contracting Officer. However, the Contractor, shall bill on each voucher the amount of the fee bearing the same percentage to the total fixed fee as the amount of cost billed bears to the total estimated cost not to exceed the amount set forth as "Fixed Fee" in Section B. The total fixed fee billed, shall not exceed the total fixed fee specified in Section B and is subject to the contract clause entitled "Limitation of Cost" or "Limitation of Funds" whichever applies.

(c) In accordance with FAR 52.216-8, and in order to protect the Government's interest, the Contractor is hereby directed to withhold 10% of the fixed fee amount as set forth in Section B or until a reserve is set aside in the amount of $100,000, whichever is less. The Administrative Contracting Officer shall release 75% of the fixed fee reserve upon acceptance of the final deliverables identified in Section F of this contract. The remainder 25% of the fixed fee reserve will be released after completion of any final audits, submission of the final patent and royalty reports and if the contractor is not delinquent in submitting final vouchers for prior years' settlements.

2. PROCURING OFFICE REPRESENTATIVES

(a) In order to expedite administration of this contract, the Administrative Contracting Officer should direct inquiries to the appropriate office listed below. Please do not direct routine inquiries to the person listed in Item 20A on Standard Form 26.

Contract Negotiator - Brian K. Murphy, ONR 0254, (703) 696-0030, DSN 426-0030, E-Mail Address: brian_murphy@onr.navy.mil

Inspection and Acceptance - Dr. Paula Furman, (703) 588-1077, DSN 425-1077, E-Mail Address: Paula_Furman@onr.navy.mil

Security Matters - Ms. Sheila Neal, ONR 43, (703) 696-8177, DSN 426-8177

Patent Matters - Mr. Tom McDonnell, ONR 00CC, (703) 696-4000, DSN 426-4000.

(b) The Administrative Contracting Officer will forward invention disclosures and reports directly to Corporate Counsel (Code 00CC), Office of Naval Research, Department of the Navy, 875 North Randolph St. Suite 1425, Arlington, VA 22203-1995. The Corporate Counsel will return the reports along with a recommendation to the Administrative Contracting Officer. The Corporate Counsel will represent the Contracting Officer with regard to invention reporting matters arising under this contract.

3. TYPE OF CONTRACT

This is a cost-plus-fixed-fee completion contract.

Contract Number: N00014-05-C-0384

SECTION H - SPECIAL CONTRACT REQUIREMENTS

1. ONR 5252.235-9714 REPORT PREPARATION (FEB 2002)

Scientific or technical reports prepared by the Contractor and deliverable under the terms of this contract will be prepared in accordance with format requirements contained in ANSI/NISO Z39.18-1995, Scientific and Technical Reports: Elements, Organization, and Design.

[NOTE: All NISO American National Standards are available as free, downloadable PDF(s) at http://www.niso.org/standards/index.html. NISO standards can also be purchased in hardcopy form from NISO Press Fulfillment, P. O. Box 451, Annapolis Junction, MD 20701-0451 USA. Telephone U.S. and Canada: (877) 736-6476; Outside the U.S. and Canada: 301-362-6904; Fax: 301-206-9789.]

2. INVENTION DISCLOSURES AND REPORTS

The Contractor shall submit all invention disclosures and reports required by the Patent Rights clause of this contract to the Administrative Contracting Officer (ACO). The ACO (Refer to Block 6 of the SF Form 26 for POC information) will forward invention disclosures and reports directly to Corporate Counsel (Code 00CC), Office of Naval Research, Department of the Navy, Arlington, VA 22203. Corporate Counsel will return the reports along with a recommendation to the ACO. Corporate Counsel represents the Contracting Officer regarding invention reporting matters arising under this contract.

3. ELECTRONIC SUBMISSION OF INTERIM AND FINAL REPORTS

In addition to the complete hard copy of the fourth status report (which should be at the end of the first year) and the Final Report, the contractor shall provide a NONPROPRIETARY summary of these reports directly to the Navy SBIR/STTR Web Welcome page at www.navysbir.com. To submit these reports, select Submission, then select Submit a Phase I or II Summary Report, then select Begin Submission Process. Enter your firm name and the password used to submit proposals to the DoD Proposal Submission website. Select Summary Report and Add a New Report. Follow the remaining instructions given on the submission website.

ONR 5252.242-9718 TECHNICAL DIRECTION (FEB 2002)

(a) Performance of the work hereunder is subject to the technical direction of the Program Officer/COR designated in this contract, or duly authorized representative. For the purposes of this clause, technical direction includes the following:

(1) Direction to the Contractor which shifts work emphasis between work areas or tasks, requires pursuit of certain lines of inquiry, fills in details or otherwise serves to accomplish the objectives described in the statement of work;

(2) Guidelines to the Contractor which assist in the interpretation of drawings, specifications or technical portions of the work description.

(b) Technical direction must be within the general scope of work stated in the contract. Technical direction may not be used to:

(1) Assign additional work under the contract;

(2) Direct a change as defined in the contract clause entitled "Changes";

(3) Increase or decrease the estimated contract cost, the fixed fee, or the time required for contract performance;

(4) Change any of the terms, conditions or specifications of the contract.

(c) The only individual authorized to in any way amend or modify any of the terms of this contract shall be the Contracting Officer. When, in the opinion of the Contractor, any technical direction calls for effort outside the scope of the contract or inconsistent with this special provision, the Contractor shall notify the Contracting Officer in writing within ten working days after its receipt. The Contractor shall not proceed with the work affected by the technical direction until the Contractor is notified by the Contracting Officer that the technical direction is within the scope of the contract.

(d) Nothing in the foregoing paragraphs may be construed to excuse the Contractor from performing that portion of the work statement which is not affected by the disputed technical direction.

ONR 5252.237-9705 KEY PERSONNEL (DEC 88)

(a) The Contractor agrees to assign to the contract tasks those persons whose resumes were submitted with its proposal and who are necessary to fulfill the requirements of the contract as "key personnel". No substitutions may be made except in accordance with this clause.

(b) The Contractor understands that during the first ninety (90) days of the contract performance period, no personnel substitutions will be permitted unless these substitutions are unavoidable because of the incumbent's sudden illness, death or termination of employment. In any of these events, the Contractor shall promptly notify the Contracting Officer and provide the information described in paragraph (c) below. After the initial ninety (90) day period the Contractor must submit to the Contracting Officer all proposed substitutions, in writing, at least (30) days in advance ((45) days if security clearance must be obtained) of any proposed substitution and provide the information required by paragraph (c) below.

(c) Any request for substitution must include a detailed explanation of the circumstances necessitating the proposed substitution, a resume for the proposed substitute, and any other information requested by the Contracting Officer. Any proposed substitute must have qualifications equal to or superior to the qualifications of the incumbent. The Contracting Officer or his/her authorized representative will evaluate such requests and promptly notify the Contractor in writing of his/her approval or disapproval thereof.

(d) In the event that any of the identified key personnel cease to perform under the contract and the substitute is disapproved, the contract may be immediately terminated in accordance with the Termination clause of the contract.

The following are identified as key personnel: [**]

SECTION I - CONTRACT CLAUSES

Cost-Plus-Fixed Fee (SBIR-STTR phase I/II) (August 29, 2005)

* Applies when contract action exceeds $10,000

** Applies when contract action exceeds $100,000

+ Applies when contract action exceeds $500,000

++ Applies when contract action exceeds $500,000 and subcontracting possibilities exist. Small Business Exempt.

x (DD 250)

Contract Number: N00014-05-C-0384

All clauses in the Section (A) Tables are required clauses and are applicable, or are applicable at the specified thresholds as designated in accordance with the legend listed above.

(A) FAR 52.252-02 CLAUSES INCORPORATED BY REFERENCE (FEB 1998)

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this address: http://www.arnet.gov/far/

I. FEDERAL ACQUISITION REGULATION (FAR) (48 CFR CHAPTER 1) CLAUSES:

**	FAR 52.202-1	Definitions (JUL 2004)
**	FAR 52.203-3	Gratuities (APR 1984)
**	FAR 52.203-5	Covenant Against Contingent Fees (APR 1984)
**	FAR 52.203-6	Restrictions on Subcontractor Sales to the Government (JUL 1995)
**	FAR 52.203-7	Anti-Kickback Procedures (JUL 1995)
**	FAR 52.203-8	Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity (JAN 1997)
**	FAR 52.203-10	Price or Fee Adjustment for Illegal or Improper Activity (JAN 1997)
**	FAR 52.203-12	Limitation on Payments to Influence Certain Federal Transactions (JUN 2003)
**	FAR 52.204-4	Printing/Copying Double-Sided on Recycled Paper (AUG 2000)
	FAR 52.204-7	Central Contractor Registration (OCT 2003)
	FAR 52.211-15	Defense Priority and Allocation Requirements (SEP 1990)
**	FAR 52.215-2	Audit and Records - Negotiation (JUN 1999) and Alternate II (APR 1998) (Alternate II is only applicable with cost reimbursement contracts with State and local Governments, educational institutions, and other non-profit organizations.)
	FAR 52.215-8	Order of Precedence - Uniform Contract Format (OCT 1997)
+	FAR 52.215-10	Price Reduction for the Defective Cost or Pricing Data (OCT 1997) (The provisions of this Clause have been waived by a joint Determination and Findings for the prime contractor only. The clause is applicable to subcontracts over $550,000.)
+	FAR 52.215-12	Subcontractor Cost or Pricing Data (OCT 1997) (Applicable to subcontracts over $550,000 only)
**	FAR 52.215-14	Integrity of Unit Prices (OCT 1997) and Alternate I (OCT 1997) (Alternate I is applicable if the action is contracted under Other Than Full and Open Competition)
+	FAR 52.215-15	Pension Adjustments and Asset Reversions (OCT 2004)
	FAR 52.215-17	Waiver of Facilities Capital Cost of Money (OCT 1997)
+	FAR 52.215-18	Reversion or Adjustment of Plans for Postretirement Benefits (PRB) Other than Pensions (JUL 2005)

+	FAR 52.215-19	Notification of Ownership Changes (OCT 1997) (Applicable when Cost or Pricing Data is required)
	FAR 52.216-7	Allowable Cost and Payment (DEC 2002)
	FAR 52.216-8	Fixed Fee (MAR 1997)
**	FAR 52.219-4	Notice of Price Evaluation Preference for HUB zone Small Business Concerns (JUL 2005)
	FAR 52.219-6	Notice of Total Small Business Set-Aside (JUN 2003)
**	FAR 52.219-8	Utilization of Small Business Concerns (MAY 2004)
++	FAR 52.219-9	Small Business Subcontracting Plan (JUL 2005)
**	FAR 52.219-14	Limitations on Subcontracting (DEC 1996)
++	FAR 52.219-16	Liquidated Damages - Subcontracting Plan (JAN 1999)
	FAR 52.222-1	Notice to the Government of Labor Disputes (FEB 1997)
**	FAR 52.222-2	Payment for Overtime Premiums (JUL 1990) (Note: The word "zero" is inserted in the blank space indicated by an asterisk)
	FAR 52.222-3	Convict Labor (JUN 2003) (Reserved when FAR 52.222-20 Walsh Healy Public Contracts Act is applicable)
**	FAR 52.222-4	Contract Work Hours and Safety Standards Act -Overtime Compensation (JUL 2005)
	FAR 52.222-21	Prohibition of Segregated Facilities (FEB 1999)
	FAR 52.222-26	Equal Opportunity (APR 2002)
*	FAR 52.222-35	Equal Opportunity for Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans (DEC 2001)
*	FAR 52.222-36	Affirmative Action for Workers with Disabilities (JUN 1998)
*	FAR 52.222-37	Employment Reports on Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans (DEC 2001)
**	FAR 52.223-14	Toxic Chemical Release Reporting (AUG 2003)
	FAR 52.225-13	Restrictions on Certain Foreign Purchases (MAR 2005)
	FAR 52.225-16	Sanctioned European Union Country Services (FEB 2000)
**	FAR 52.227-1	Authorization and Consent (JUL 1995) and Alternate I (APR 1984)
**	FAR 52.227-2	Notice and Assistance Regarding Patent and Copyright Infringement (AUG 1996)
	FAR 52.227-20	Rights in Data - SBIR Program (MAR 1994)
	FAR 52.228-7	Insurance Liability to Third Persons (MAR 1996) (Further to paragraph (a)(3), unless otherwise stated in this contract, types and limits of insurance required are as stated in FAR 28.307-2)
	FAR 52.232-9	Limitation on Withholding of Payments (APR 1984)
**	FAR 52.232-17	Interest (JUN 1996)
	FAR 52.232-23	Assignment of Claims (JAN 1986) and Alternate I (APR 1984)

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	FAR 52.232-25	Prompt Payment (OCT 2003) and Alternate I (FEB 2002) (The words "the 30th day" are inserted in lieu of "the 7th day" at (a)(5)(i). [When Alternate I is applicable (a)(5)(i) does do not apply] [USE ALTERNATE I WHEN AWARDING A COST REIMBURSEMENT CONTRACT FOR SERVICES]
	FAR 52.232-33	Payment by Electronic Funds Transfer - Central Contractor Registration (OCT 2003)
	FAR 52.233-1	Disputes (JULY 2002)
	FAR 52.233-3	Protest After Award (AUG 1996) and Alternate I (JUN 1985)
	FAR 52.242-1	Notice of Intent to Disallow Costs (APR 1984)
+	FAR 52.242-3	Penalties for Unallowable Costs (MAY 2001)
	FAR 52.242-4	Certification of Final Indirect Costs (JAN 1997)
**	FAR 52.242-13	Bankruptcy (JUL 1995)
	FAR 52.242-15	Stop Work Order (AUG 1989) and Alternate I (APR 1984)
	FAR 52.243-2	Changes -- Cost-Reimbursement (Aug. 1987) and Alternate V (APR 1984)
	FAR 52.244-2	Subcontracts (MAY 2005) and Alternate I (AUG 1998)
**	FAR 52.244-5	Competition in Subcontracting (DEC 1996)
	FAR 52.244-6	Subcontracts for Commercial Items and Commercial Components (DEC 2004)
	FAR 52.245-5	Government Property (Cost-Reimbursement, Time-and-Materials, or Labor-Hour Contracts) (May 2004) and ALT I (JUN 2003) (As modified by DoD Class Deviation 99-00008 dated 13 July 1999) (ALT I is applicable if the contractor is a nonprofit organization whose primary purpose is the conduct of scientific research)
	FAR 52.246-9	Inspection of Research and Development (Short Form) (Apr 1984)
	FAR 52.246-23	Limitation of Liability (FEB 1997)
**	FAR 52.247-64	Preference for Privately Owned U.S. Flag Commercial Vessels (APR 2003)
	FAR 52.249-6	Termination (Cost-Reimbursement) (May 2004)
	FAR 52.249-14	Excusable Delays (APR 1984)
	FAR 52.251-1	Government Supply Sources (APR 1984)
	FAR 52.253-1	Computer Generated Forms (JAN 1991)

II. DEPARTMENT OF DEFENSE FAR SUPPLEMENTAL (DFARS) (48 CFR CHAPTER 2) CLAUSES:

**	DFARS 252.203-7001	Prohibition On Persons Convicted of Fraud or Other Defense-Contract-Related Felonies (DEC 2004)
	DFARS 252.204-7003	Control of Government Work Product (APR 1992)
	DFARS 252.204-7004	Alternate A (NOV 2003)
**	DFARS 252.209-7004	Subcontracting with Firms That Are Owned or Controlled by the Government of a Terrorist Country (MAR 1998)
+	DFARS 252.215-7000	Pricing Adjustments (DEC 1991)

++	DFARS 252.219-7003	Small, Small Disadvantaged and Women-owned Small Business Subcontracting Plan (DoD Contracts) (APR 1996)
	DFARS 252.225-7004	Reporting of Contract Performance Outside the United States (JUN 2005)
**	DFARS 252.225-7012	Preference for Certain Domestic (JUN 2004)
	DFARS 252.225-7031	Secondary Arab Boycott of Israel (JUN 2005)
	DFARS 252.227-7016	Rights In Bid Or Proposal Information (JUN 1995)
	DFARS 252-227-7017	Identification And Assertion Of Use, Release, Or Disclosure Restrictions (JUN 1995)
	DFARS 252.227-7018	Rights In Noncommercial Technical Data And Computer Software--Small Business Innovation Research (SBIR) Program (JUN 1995)
	DFARS 252.227-7019	Validation Of Asserted Restrictions -- Computer Software (JUN 1995)
	DFARS 252.227-7025	Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends (JUN 1995)
	DFARS 252.227-7028	Technical Data or Computer Software Previously Delivered to the Government (JUN 1995)
	DFARS 252.227-7030	Technical Data - Withholding of Payment (MAR 2000)
	DFARS 252.227-7037	Validation of Restrictive Markings on Technical Data (SEP 1999)
	DFARS 252.231-7000	Supplemental Cost Principles (DEC 1991)
	DFARS 252.232-7003	Electronic Submissions of Payment Requests (JAN 2004)
	DFARS 252.235-7002	Animal Welfare (DEC 1991)
	DFARS 252.235-7011	Final Scientific or Technical Report (NOV 2004)
	DFARS 252.242-7000	Post-Award Conference (DEC 1991)
**	DFARS 252.243-7002	Requests for Equitable Adjustment (MAR 1998)
	DFARS 252.245-7001	Reports of Government Property (MAY 1994)
X	DFARS 252.246-7000	Material Inspection and Receiving Report (MAR 2003)
**	DFARS 252.247-7023	Transportation of Supplies by Sea (MAY 2002)
	DFARS 252.247-7024	Notification of Transportation of Supplies by Sea (MAR 2000) (Applicable when the Contractor has made a negative response to the inquiry in the representation at DFARS 252.247-7022.)
	DFARS 252.251-7000	Ordering from Government Supply Sources (NOV 2004)

(B) ADDITIONAL FAR AND DFARS CLAUSES

This contract incorporates one or more clauses by reference as indicated by the mark of (X), with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this address: http://www.arnet.gov/far/

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	FAR 52.204-2	Security Requirements (AUG 1996) (Applicable if contract will generate or require access to classified information and DD Form 254, Contract Security Classification Specification, is issued to the contractor)
X	FAR 52.209-6	Protecting the Government's Interest when Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment (JAN 2005) (Applicable to contracts exceeding $25,000 in value.)
	FAR 52.215-16	Facilities Capital Cost of Money (Jun 2003) (Applicable in solicitations expected to result in contracts that are subject to the cost principles for contracts with commercial organizations)
X	FAR 52.215-17	Waiver of Facilities Capital Cost of Money (Use if FAR52.215-16 is not applicable)
X	FAR 52.215-21	Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data Modifications (OCT 1997) (Applicable if cost or pricing data or information other than cost or pricing data will be required for modifications)
	FAR 52.217-9	Option to Extend the Term of the Contract (MAR 2000) (In paragraph (a), insert "period of time" and "number of days"; and in paragraph (c), insert "month and years") (Applicable if contract contains line item(s) for option(s))
	FAR 52.219-3	Notice of Total HUB Zone Set-Aside (JAN 1999)
	FAR 52.222-20	Walsh Healy Public Contracts Act (DEC 1996) (Applicable if the contract includes deliverable materials, supplies, articles or equipment in an amount that exceeds or may exceed $10,000)
X	FAR 52.223-5	Pollution Prevention and Right-to-Know Information (AUG 2003) (Applicable if contract provides for performance, in whole or in part, on a Federal facility)
X	FAR 52.223-6	Drug-Free Workplace (MAY 2001) (Applies when contract action exceeds $100,000 or at any value when the contract is awarded to an individual)
	FAR 52.227-10	Filing of Patent Applications -- Classified Subject Matter (APR 1984)
X	FAR 52.227-11	Patent Rights -- Retention by the Contractor (Short Form) (Jun 1997)(Applicable if contractor is a small business or a non profit organization.
X	FAR 52.232-20	Limitation of Cost (APR 1984) (Applicable only when contract action is fully funded)
	FAR 52.232-22	Limitation of Funds (APR 1984) (Applicable only when contract action is incrementally funded)
	FAR 52.239-1	Privacy or Security Safeguards (AUG 1996) (Applicable to contracts for information technology which require security of information technology, and/or are for the design, development, or operation of a system of records using commercial information technology services or support services.)

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	FAR 52.245-18	Special Test Equipment (FEB 1993) Applicable when it is anticipated that the contractor will acquire or fabricate special test equipment but the exact identification of the equipment is not known)
	FAR 52.246-08	Inspection of Research and Development - Cost Reimbursement (MAY 2001) (Use instead of FAR 52.246-09 (Inspection of Research and Development - Short Form) (APR 84) when the primary objective of the contract is the delivery of end items other than designs, drawings and reports.)
	DFARS 252.203-7002	Display of DoD Hotline Poster (DEC 1991) (Applicable only when contract action exceeds $5 million or when any modification increases contract amount to more than $5 million)
	DFARS 252.204-7000	Disclosure of Information (DEC 1991) (Applies when Contractor will have access to or generate unclassified information that may be sensitive and inappropriate for release to the public)
	DFARS 252.204-7005	Oral Attestation of Security Responsibilities (NOV 2001) (Applicable if FAR 52.204-2, Security Requirements Applies)
X	DFARS 252.205-7000	Provision of Information to Cooperative Agreement Holders (DEC 1991) (Applicable only when contract action exceeds $1,000,000 or when any modification increases total contract amount to more than $1,000,000)
	DFARS 252.211-7003	Item Identification and Valuation (JUN 2005) (Applicable if the contract includes deliverable items (1) with a unit cost of $5000 or more or (2) that will be serially managed or controlled inventory.)
X	DFARS 252.215-7002	Cost Estimating System requirements (OCT 1998) (Applicable only to contract actions awarded on the basis of certified cost or pricing data)
	DFARS 252.223-7004	Drug-Free Work Force (SEP 1988) (Applicable (a) if contract involves access to classified information: or (b) when the Contracting Officer determines that the clause is necessary for reasons of national security or for the purpose of protecting the health or safety of performance of the contract.
	DFARS 252.223-7006	Prohibition on Storage and Disposal of Toxic and Hazardous Materials (APR 1993) (Applicable if work requires, may require, or permits contractor performance on a DoD installation)
	DFARS 252.225-7001	Buy American Act and Balance of Payments Program (JUN 2005) (Applicable if the contract includes deliverable supplies) (This clause does not apply if an exception to the Buy American Act or Balance of Payments Program is known or if using the clause at 252.225-7007, 252.225-7021, or 252.225-7036.)

	DFARS 252.225-7002	Qualifying Country Sources as Subcontractors (APR 2003) (Applicable when clause at DFARS 252.225-7001, 252.227-7007, 252.227-7021, or 252.227-7036 applies)
	DFARS 252.225-7016	Restriction On Acquisition Of Ball And Roller Bearings (JUN 2005) (Applicable if contract includes deliverable supplies, unless Contracting Officer knows that items being acquired do not contain ball or roller bearings)
	DFARS 252.226-7001	Utilization of Indian Organizations and Indian-Owned Economic Enterprises, and Native Hawaiian Small Business Concerns(SEP 2004) (Section 8021 of Pub. L.107-248 [and similar sections in subsequent DoD appropriation acts.])
X	DFARS 252.227-7018	Rights in Noncommercial Technical Data and Computer Software - Small Business Innovation Research (SBIR) Program (JUN 195) (Also applies to STTR programs)
	DFARS 252.227-7025	Limitations On The Use Or Disclosure Of Government-Furnished Information Marked With Restrictive Legends (JUN 1995) (Applicable when the Government will provide the contractor, for the performance of its contract, technical data, including software marked with another contractor's restrictive legend(s))
X	DFARS 252.227-7034	Patents--Subcontracts (APR 1984) [Applicable to contracts containing FAR 52.227-11, Patent Rights--Retention by the Contractor (Short Form)]
X	DFARS 252.227-7039	Patents--Reporting Of Subject Inventions (APR 1990) [Applicable to contracts containing FAR 52.227-11, Patent Rights--Retention by the Contractor (Short Form)]

SECTION J - LIST OF ATTACHMENTS

1. EXHIBIT A, entitled "Contract Data Requirements List" (DD Form 1423) - 1 page with Enclosure Number 1, entitled "Contract Data Requirements List - Instructions for Distribution."

2. Attachment Number 1, entitled, "Statement of Work" - 5 pages.

3. Attachment Number 2, entitled, "Report Documentation Page" (SF 298) 1 page.

4. Attachment Number 3, entitled, "Financial Accounting Data Sheet."

SECTION K - REPRESENTATIONS, CERTIFICATIONS AND OTHER STATEMENTS OF OFFERORS

1. The Contractor's ORCA validation dated from: 28 July 2005 to: 28 July 2006 is hereby incorporated into this contract by reference. The DFARS and Contract Specific Representations and Certifications, dated 30 March 2005 are hereby incorporated by reference.

Contract Number: N00014-05-C-0384

CONTRACT DATA REQUIREMENTS LIST
(2 Data Items)

Form Approved
OMB No. 0704-0188

The public reporting burden for this collection of information is estimated to average 110 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden to Department of Defense, Washington Headquarters Services, Directorate for Information Operations and Reports (0701-0188), 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no (illegible) be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number. Please DO NOT RETURN your form to the above address. Send completed form to the Government Issuing Contracting Officer for the Contract/PR No. Listed in Block E.

A. CONTRACT LINE ITEM NO.: 0001
B. EXHIBIT: A
C. CATEGORY: TDP ____ TM ____ OTHER X

D. SYSTEM/ITEM: WET Program
E. CONTRACT/PR NO.: N00014-05-C-0384
F. CONTRACTOR: Ocean Power Technologies, Inc.
17. PRICE GROUP

1. DATA ITEM NO.: A001
2. TITLE OF DATA ITEM: Progress Reports
3. SUBTITLE

4. AUTHORITY (DATA ACQUISITION DOCUMENT NO.)
5. CONTRACT REFERENCE: See Section H.1
6. REQUIRING OFFICE: See Section F
18. ESTIMATED TOTAL PRICE

7. DD 250 REQ: LT*
9. DIST STATEMENT REQUIRED
10 FREQUENCY: As Required
12. DATE OF FIRST SUBMISSION: *
14. DISTRIBUTION

8. APP CODE: N/A
11. AS OF DATE: *
13. DATE OF SUBSEQUENT SUBMISSION: *

A. ADDRESSEE	DRAFT	FINAL REG	FINAL REPRO
See Enclosure Number 1			

16. REMARKS

* As required by the Program Officer, these reports, submitted quarterly for the purpose of reporting progress (both technical and cost expenditure status), may be in the form of a letter report or a technical report.

15. TOTAL

1. DATA ITEM NO.: A002
2. TITLE OF DATA ITEM: Final Report
3. SUBTITLE
17. PRICE GROUP

4. AUTHORITY (DATA ACQUISITION DOCUMENT NO.)
5. CONTRACT REFERENCE: See Section H.1
6. REQUIRING OFFICE: See Section F
18. ESTIMATED TOTAL PRICE

7. DD 250 REQ: DD*
9. DIST STATEMENT REQUIRED
10 FREQUENCY: ONE/R
12. DATE OF FIRST SUBMISSION: 31 MAR 2007
14. DISTRIBUTION

8. APP CODE: N/A
11. AS OF DATE: 31 MAR 2007
13. DATE OF SUBSEQUENT SUBMISSION: N/A

A. ADDRESSEE	DRAFT	FINAL REG	FINAL REPRO
See Enclosure Number 1			

16. REMARKS

* The Contractor shall include relevant databases as part of the Final Report.

* DD 250 is only required for acceptance by the Program Officer designated in Section F. Information copies shall be sent to the appropriate parties in accordance with EncLosure Number 1.

15. TOTAL

G. PREPARED BY: Brian K. Murphy
H. DATE: 9/19/2005
I. APPROVED BY: R. Brian Bradley
J. DATE: 9/19/2005

DD FORM 1423-2, AUG 96 (EG) PREVIOUS EDITION MAY BE USED PAGE 1 OF 1 PAGE(S)

ENCLOSURE NUMBER 1

CONTRACT DATA REQUIREMENTS LIST
INSTRUCTIONS FOR DISTRIBUTION

DISTRIBUTION OF TECHNICAL REPORTS AND FINAL REPORT

The minimum distribution of technical reports and the final report submitted in connection with this contract is as follows:

ADDRESSEE	DODAAD CODE	NUMBER OF COPIES: UNCLASSIFIED/ UNLIMITED	NUMBER OF COPIES: UNCLASSIFIED/LIMITED AND CLASSIFIED
Program Officer, Paula Furman E-Mail: Paula_Furman@onr.navy.mil	N00014	1	1
Administrative Contracting Officer*	S3915A	1	1
Director, Naval Research Lab Attn: Code 5227 4555 Overlook Avenue, SW Washington, D.C. 20375-5320 E-mail: reports@library.nrl.navy.mil	N00173	1	1
Defense Technical Information Center 8725 John J. Kingman Road STE 0944 Ft. Belvoir, VA 22060-6218 E-mail: tr@dtic.mil	HJ4701	2	2

* Send only a copy of the transmittal letter to the Administrative Contracting Officer; do not send actual reports to the Administrative Contracting Officer.

ELECTRONIC SUBMISSIONS OF TECHNICAL REPORTS IS PREFERRED AND ENCOURAGED. ELECTRONIC SUBMISSION SHOULD BE SENT TO THE E-MAIL ADDRESSES PROVIDED IN THE ABOVE TABLE, HOWEVER PLEASE NOTE THE FOLLOWING:

- - Only Unlimited/Unclassified document copies may be submitted by e-mail.

- - Unclassified/Limited has restricted distribution and a classified document (whether in its entirety or partially) is to be distributed in accordance with classified material handling procedures.

- - Electronic submission to DIRECTOR, NAVAL RESEARCH LAB, shall be unclassified/unlimited reports and 30 pages or less. If unclassified and more than 30 pages, hardcopies of reports must be mailed.

- - Electronic submission to DTIC shall be unclassified/unlimited reports. If submission is for limited documents, please send them in on a disk or sign up for DTIC's web-based document submission system at http://www.dtic.mil/dtic/submitting/elec_subm.html.

If the Program Officer directs, the Contractor shall make additional distribution of technical reports in accordance with a supplemental distribution list provided by the Program Officer.

Contract Number: N00014-05-C-0384

DISTRIBUTION OF PROGRESS REPORTS, WHICH ARE NOT, TECHNICAL REPORTS

The minimum distribution for reports that are not technical reports is as follows:

ADDRESSEE	DODAAD CODE	NUMBER OF COPIES UNCLASSIFIED/ UNLIMITED	UNCLASSIFIED/LIMITED AND CLASSIFIED
Program Officer, Paula Furman E-Mail: Paula_Furman@onr.navy.mil	N00014	1	1
Administrative Contracting Officer*	S3915A	1	1

* Send only a copy of the transmittal letter to the Administrative Contracting Officer; do not send actual reports to the Administrative Contracting Officer.

Contract Number: N00014-05-C-0384

STATEMENT OF WORK

TASK GROUP 1.0: REQUIREMENTS

1.1 PREPARATION OF DESIGN REQUIREMENTS - OPT will prepare a document that states the requirements of the scaled up advanced WEC system for Hawaii in order to guide design work. The design requirements document prepared in earlier work may be used as a template or baseline if deemed adequate or helpful in this purpose. OPT will solicit input from the project team and the program review board in the preparation of the design requirements.

1.2 PREPARATION OF TEST REQUIREMENTS - OPT will prepare a test requirements document that will identify parameters to be tested, the method of test, how the data is to be managed and analyzed, and the sampling rate. OPT will solicit input from the project team and the program review board in the preparation of the test requirements.

1.3 REVIEW OF PREVIOUS PROGRAM RESULTS - OPT and the project team will review the results of the work performed under the previous WET Project Multi-Buoy Power Integration Development Program. The team will review "lessons learned" from that program and utilize fundamental design parameters applicable to the larger scale advanced WEC. Areas of continued development and investigation will be identified.

1.4 CONCEPT MODELING AND DESIGN ANALYSIS - OPT (and designated contractors as required) will engage in modeling, simulation work, and trade studies to arrive at an [**]. Key design parameters will be identified and alternative design solutions will be investigated. Various design options will be matched against the design requirements for compliance. OPT will prepare and provide technical reports as called out by the Navy in the CDRL items, performing necessary requirements validation through laboratory testing, and conducting design reviews with the Navy.

1.5 STUDY OF ENVIRONMENTAL CONSIDERATIONS - OPT and the project team will review the [**] and prepare a document that defines the advanced system with respect to environmental considerations.

1.6 [**] AND EVALUATION - OPT, the project team and the [**] board will hold a formal [**] meeting. The [**] will be evaluated, discussed and rated as to their relative merits versus the requirements, and [**] will be selected. The [**] will be further reviewed by the project team for conformance to [**] and test requirements and for an assessment of risk. Based on the program progress and material presented, the program [**] board will make recommendations for moving forward to the next task group.

TASK GROUP 2.0: PRELIMINARY DESIGN PHASE

2.1 BUOY SCALING FOR MCBH SITE WAVE CLIMATE - OPT will [**]. The [**] will yield key parameters such as [**] to be used in establishing the structural and equipment requirements for both prevailing and maximum design ocean conditions. The [**] will consist of [**].

2.2 POWER SYSTEMS SPECIFICATIONS - OPT will provide specifications for the new [**] to support follow-on designs of critical components for the [**]. A scheme for [**] will be specified. A one-line diagram will be produced. [**]. [**] for the [**] will be calculated.

2.3 SEA-KEEPING AND SAFETY COMPONENTS SPECIFICATIONS - OPT and its contractors will determine the [**]. Previously designed system [**] configurations will be [**] as appropriate for the [**]. The final configuration of equipment design and structural members will be designed to accommodate the [**] under certain maximum ocean conditions.

2.4 INSTALLATION, RETRIEVAL AND MAINTENANCE CONSIDERATIONS - OPT will determine necessary installation, retrieval and maintenance procedures for the [**]. A configuration of [**] and [**] features and [**] will be established to accommodate the [**] and [**] required for [**].

2.5 ESTABLISH STRUCTURAL, MECHANICAL SPECIFICATIONS - This task includes [**], and determination of key structural components of the [**] based on [**] and [**] from [**]. An initial [**] is prepared in order to establish [**] and [**] based on [**] summaries. A [**] will be conducted on the [**]. A [**] of the mechanical systems will be conducted by the project team.

2.6 ESTABLISH ELECTRICAL SPECIFICATIONS - OPT will design the [**] system for the [**]. This includes detailed specifications for [**] for the [**]. OPT will determine [**] and [**] necessary for [**] of the WEC into the [**] system. OPT will review the [**] and relevant [**] from existing unit tests. This engineering work will form the basis for [**] during the test phase. Specifications for the [**] and [**] will be prepared. [**] and [**] analysis of the [**] will be conducted.

2.7 ESTABLISH [**] - OPT will develop a [**] and [**] that encompasses the addition of a [**] with its [**] and [**]. Additional features will be necessary for [**]. The [**] will include [**] with existing [**] and [**] will be studied. A [**] will be conducted.

2.8 PRELIMINARY [**] REVIEW - OPT, the project team and the review board will hold a [**] review meeting. During this review, the preliminary [**] activities and resulting preliminary analyses and [**] will be examined for conformance to the [**] and test requirements. [**].

TASK GROUP 3.0: FINAL DESIGN PHASE

3.1 MECHANICAL DESIGN AND CREATION OF FABRICATION DRAWINGS - This task includes converting the [**] for the [**] and [**] into a detailed design that meets the required [**] and [**] requirements. This effort includes [**], and providing a [**]. Reviews with [**] will be held to [**]. This task will include the [**].

3.2 POWER TAKE-OFF AND POWER CONVERSION SYSTEM SPECIFICATIONS - OPT will prepare [**] to allow [**] such equipment. Reviews with [**] will be held to insure [**] for the new system.

3.3 CIRCUIT DESIGN AND HARDWARE SPECIFICATIONS - Based on the [**] system designs, OPT will specify the [**] to enable integration of the [**]. Circuit diagrams and drawings, including [**] diagrams will be prepared. Proper [**] will be prepared for the [**]. [**] will be produced for [**]. Reviews with [**] will be held to insure [**].

3.4 [**] - OPT will prepare a detailed [**] document that encompasses the [**] for the [**] as well as the [**]. Reviews with [**] will be held to insure [**]. OPT will prepare final specifications and drawings to [**].

3.5 FINAL DESIGN REVIEW - OPT, the project team and the review board will hold a formal design review meeting. During this review, the final design activities, analyses and resulting final design will be examined for conformance to the design and test requirements. [**].

TASK GROUP 4.0: OCEAN TEST PREPARATION- PLAN, BUILD AND INSTALL

4.1 FABRICATION, INSTALLATION AND TEST PLANS - Plans for the fabrication, installation and testing phases of the project will be drafted by OPT and its contractors, and circulated to the project team for feedback, leading up to a review of such plans. Test plans will include [**]. Installation plans will include [**]. Installation plans will be in sufficient detail to denote responsibilities, communications, methods, equipment, contingencies, and timing. The project team will participate in fabrication, installation and test plan reviews; necessary contractors will be involved. The purpose of reviews is to insure that ocean test and installation plans have been established to satisfy the following criteria:

[**]

4.2 SYSTEM PROCUREMENT & FABRICATION - This task includes activities involved in procurement, fabrication, supplier and QA management. For major expense items, where possible, [**]. Long lead-time items will be identified and [**] to allow the final installation and ocean test schedules to be met.

4.3 [**] ASSEMBLY AND TEST IN-HOUSE - The [**] and [**] and sub-assemblies for the [**] will be [**].

4.4 FINAL ASSEMBLY AND TEST AT STAGING AREAS - All [**] will be shipped to the [**] for final assembly into [**]. Final system testing at that stage will be conducted to insure [**] and [**] are to specification. Integration of the [**] will be performed.

4.5 SITE PREPARATIONS - [**]. Any necessary [**] or [**] will be installed.

4.6 PRE-DEPLOYMENT REVIEW - Prior to deployment, an on-site review by members of the project team will be held that covers the objectives, methods, equipment, safety, and contingency procedures intended with respect to the installation and test plans. This will include review of [**].

4.7 DEPLOYMENT OF [**] - The installation of the [**] will utilize [**]. All sea-based equipment will require [**], as well as [**] to make [**]. Final staging and fabrication will be conducted in [**] and the equipment can [**] to the final site. The installation may be [**] and [**] and [**] will be installed in that order. Once the required equipment is situated [**], the [**] can be made to the existing [**] via the [**]. Once the [**], the [**] is followed utilizing a [**] as the system is [**], and [**].

TASK GROUP 5.0: CONDUCTING THE OCEAN TEST

5.1 MONITORING, DATA COLLECTION, ANALYSIS AND REVIEW - [**] operation will be collected and entered into the operational database. Many parameters will be monitored electronically from sensors located throughout the system via a data acquisition system. Other parameters will require [**]. Data from other sensing devices such as the [**] will be collected and integrated. Analysis of the data will identify [**]. Some of the analysis will be conducted by [**] from spreadsheet or other database format. Data will be analyzed by [**] as required. Members of the project team will review the results of the ocean test mid-way through the test period. [**].

5.2 INSPECTION, MAINTENANCE, AND REPAIR - An [**] will be contracted to make [**] to check for [**], and [**] on the sea-based equipment. [**].

5.3 DESIGN VALIDATION - Data collected via the automated data collection system will be available in a database format suitable for analysis. [**] will be used [**].

5.4 CONCLUSIONS AND RECOMMENDATIONS AND FINAL REVIEW - Comparisons of the [**] will be made to form the results. Conclusions and recommendations can then be formulated. Project members will review the results, conclusions and recommendations, and key findings.

5.5 [**] - At the [**], the [**] will be [**]. An [**] for this task.

TASK GROUP 6.0: PROGRAM AND TECHNICAL MANAGEMENT

The OPT Technical Manager will provide the overall technical direction for this effort in coordination with the Program Manager.

- Program Planning, Tracking and Technical Management - The OPT Technical and Program Managers will be responsible for resource assignment, technical direction, task direction and schedule management. OPT will [**].

- Program Meetings- Program Meetings- Program meetings will be established to coincide with key technical milestones.

- Progress Reports- OPT will prepare and distribute the minutes from Review Meetings, Monthly Progress Reports, and Major Technical Reports in accordance with the Contract Data Requirements List (CDRL) Items.

TASK GROUP 7.0: DELIVERABLES

Contract Data Requirements List consists of the following items;
Administrative Progress Reports (APR)
Review meeting agendas
Minutes from review meetings
Presentation materials from review meetings
Technical Documents -

[**] as part of this contract. In addition, this report will include [**] of [**] including [**].

[**] - This report will contain [**] of expected hydrodynamic and electrical (power) [**] and associated [**].

[**] - This report will describe [**].

[**] - This document will compare [**], including associated [**] and/or the [**].

[**] - This report will contain [**] subsystems, [**]. The report will outline installation, repair, and recovery scenarios and risk analyses.

[**] - This report will contain [**] information for all system components.

[**]- This plan will describe [**] associated with [**]. It will include all parameters to be monitored while the system is deployed- [**].

[**]- This report will [**].

[**] - This report will summarize the [**] results of at-sea mechanical, electrical, and hydrodynamic performance.

Final Program Report- This report will summarize final administrative aspects of the project.

REPORT DOCUMENTATION PAGE

Form Approved
OMB No. 0704-0188

1. REPORT DATE (DD-MM-YYYY)   2. REPORT TYPE   3. DATES COVERED (From - To)

4. TITLE AND SUBTITLE

5A. CONTRACT NUMBER

5B. GRANT NUMBER

5C. PROGRAM ELEMENT NUMBER

6. AUTHOR(S)

5D. PROJECT NUMBER

5E. TASK NUMBER

5F. WORK UNIT NUMBER

7. PERFORMING ORGANIZATION NAMES(S) AND ADDRESS(ES)

8. PERFORMING ORGANIZATION REPORT

9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)

10. SPONSOR/MONITOR'S ACRONYM(S)

11. SPONSOR/MONITOR'S NUMBER(S)

12. DISTRIBUTION/AVAILABILITY STATEMENT

Distribution authorized/limited to U.S. Government Agencies only; report contains proprietary data produced under SBIR(or STTR) contract (whichever applies). Other requests shall be referred to the performing organization in Block 7 of this form.

13. SUPPLEMENTARY NOTES

14. ABSTRACT

This record was developed under a SBIR or STTR (Cite the appropriate Program) contract award for Solicitation topic # _____.

15. SUBJECT TERMS

16. SECURITY CLASSIFICATION OF: 17. LIMITATION   18. NUMBER   19A. NAME OF RESPONSIBLE PERSON

A. REPORT   B. ABSTRACT   C. THIS PAGE

19B. TELEPHONE NUMBER (include area code)

STANDARD FORM 298(REV. 8-98)
PRESCRIBED BY ANSI STD. Z39.18

FINANCIAL ACCOUNTING DATA SHEET - NAVY

1. CONTRACT NUMBER (CRITICAL) 2. SPIIN (CRITICAL) 3. MOD (CRITICAL) 4. PR NUMBER

N0001405C0384 05PR09436-00

6. LINE OF ACCOUNTING

CLIN/SLIN	A. ACRN (CRITICAL)	B. APPROPRIATION (CRITICAL)	C. SUBHEAD (CRITICAL)	D. OBJ CLA	E. PARM	F. RFM	G. SA	H. AAA (CRITICAL)	I. IT	J. PAA	K. COST CODE PROJ UNIT	MCC	PDLI & SUF	7. AMOUNT (CRITICAL)	NAVY INTERNAL USE ONLY REF DOC/ACRN
	AA	1751319	W3DK	255	RA	333	0	068342	2D	000000	09019	000	4KT0	$2,799,405.00	PR#05PR09436-00 FRC: 34KT

PAGE TOTAL $2,799,405.00

GRAND TOTAL $2,799,405.00

PREPARED/AUTHORIZED BY:

COMPTROLLER APPROVAL:
FOR FISCAL DATA AND SIGNATURE

BY ________________________________ for COMPTROLLER, ONR CONTRACT REVIEWED

DATE:

DATE:

ONR AWARD FORM (2/00) - version 1.1

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT	CONTRACT ID CODE D0-C9(U)	PAGE OF PAGES 1 1

2. AMENDMENT/MODIFICATION NO.	3. EFFECTIVE DATE	4. REQUISITION/PURCHASE REG. NO	5. PROJECT NO. (if applicable)
P00001	SEE BLOCK 16C	07PR06497-00	N.A.

6. ISSUED BY CODE N00014

OFFICE OF NAVAL RESEARCH
ONR 254 Wade Wargo (703) 696-0719
875 North Randolph Street
Arlington, VA 22203-1995

7. ADMINISTERED BY (if other than item 6) CODE S391SA
SCD-C

DCM Philadelphia
PO Box 11427
700 Robbins Avenue, Bldg. 4A
Philadelphia, PA 19111-0427

8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and ZIP Code)

Ocean Power Technologies, Inc.
1590 Reed Road
Pennington, NJ 08534

CODE 04EP7 FACILITY CODE

(3) 9.A. AMENDMENT OF SOLICITATION NO.
N.A.
[ ] 9B. DATED (SEE ITEM 11)
[X] 10A. MODIFICATION OF CONTRACT/ORDER NO.
N00014-05-C-0384
10B. DATED (SEE ITEM 13)

20 SEP 2005

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[ ] The above numbered solicitation is amended as set forth in item 14. The hour and date specified for receipt of Offers [ ] is extended [ ] is not extended.

Offers must acknowledge receipt of this amendment prior to the hour and data specified in the solicitation or as amended, by on of the following methods: (a) By completing items 8 and 15, and returning copies of the amendment; (b) By acknowledging receipt of the amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and data specified.

12. ACCOUNTING AND APPROPRIATION DATA (if required)
N.A.

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS
IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED ITEM 14.

(3) A. THIS CHANGE ORDER IS ISSUED PURSUANT TO (Specify Authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
[ ]

B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation data, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).
[ ]

C. SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:
[ ] AUTHORITY FOR OTHER THAN FULL AND OPEN COMPETITION:

D. OTHER (Specify type of modification and authority)
[X] Unilateral Modification (FAR 43.103(b)) with Mutual Agreement of Parties as per Contractor's Letter dated 01 MAR 2007

E. IMPORTANT: Contractor [X] is not, [ ] is required to sign this document and return copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
Effective as of the date of this Modification:

1. Paragraph 1 of SECTION F - DELIVERIES OR PERFORMANCE is revised to read as follows:

"1. The research effort performed under CLIN 0001 shall be conducted from date of contract award through 30 APR 2008."

2. Under Exhibit A, entitled "Contract Data Requirements List", Blocks 11 and 12 of Data Item Number A002 are revised to read "30 APR 2008".

This modification makes no change to the total estimated cost or fixed fee of this contract. All other terms and conditions remain unchanged.

Except as provided herein, all terms and conditions of the document referenced in item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)
WADE WARGO
CONTRACTING OFFICER

15B. CONTRACTOR/OFFEROR	15C. DATE SIGNED	16B. UNITED STATES OF AMERICA	16C. DATE SIGNED
		BY /s/ WADE WARGO	3/22/2007
(Signature of person authorized to sign)		(Signature of Contracting Officer)	

SN 7540-01-152-8070
PREVIOUS EDITION UNUSABLE
NAVOCNR OVERPRINT (3-88)

STANDARD FORM 30 (REV. 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

Exhibit 10.3

Confidential Materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

AWARD/CONTRACT	1. THIS CONTRACT IS A RATED ORDER UNDER DPAS (15 CFR 350)	RATING DO	PAGE OF PAGES 1 17

2. CONTRACT (Proc. Inst. Ident.) NO.	3. EFFECTIVE DATE	4. REQUISITION/PURCHASE REQUEST/PROJECT NO.
	[see block 20c.]	02PR02408-00

6. ISSUED BY CODE N00014	7. ADMINISTERED BY (If other than Item 5) CODE S3915A
OFFICE OF NAVAL RESEARCH ONR 254, Cheryl De Lisle (703) 696-2571 BALLSTON TOWER ONE 800 NORTH QUINCY STREET ARLINGTON, VA 22217-5660	DCM PHILADELPHIA PO BOX 11427 700 ROBBINS AVENUE, DLDG 4A PHILADELPHIA, PA 19111-0427

7. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State, and Zip Code)	8. DELIVERY
OCEAN POWER TECHNOLOGIES INC. 1590 REED ROAD PENNINGTON, NJ 08534	SEE SECTION F OF SCHEDULE [ ] FOB ORIGIN [ ] OTHER (See below)
	9. DISCOUNT FOR PROMPT PAYMENT N.A.
CODE 04EP7 FACILITY CODE	10. SUBMIT INVOICES (4 copies unless otherwise specified) TO THE ADDRESS SHOWN IN (see Section G) ITEM

11. SHIP TO/MARK FOR CODE N00014	12. PAYMENT WILL BE MADE BY CODE SC1018
OFFICE OF NAVAL RESEARCH ONR 334, PAULA FURMAN (703) 527-2636 800 NORTH QUINCY ST., BCT 1 ARLINGTON, VA 22217	DFAS Columbus Center/CO Dominion Division PO Box 182041 Columbus, OH 43218-2041

13. AUTHORITY FOR USING OTHER THAN FULL AND OPEN COMPETITION	14. ACCOUNTING AND APPROPRIATION DATA
[ ] 10 U.S.C. 2304(c) ( ) [ ] 41 U.S.C. 253(c) ( )	See Attached Financial Accounting Data Sheet(s)

15A. ITEM NO.	15B. SUPPLIES/SERVICES	15C. QUANTITY	15D. UNIT	15E. UNIT PRICE	15F. AMOUNT
	SEE SECTION B OF SCHEDULE				

15. G TOTAL AMOUNT OF CONTRACT $ SEE SECTION B OF SCHEDULE

16. TABLE OF CONTENTS

Contract Number: N00014-02-C-0053

CONTRACTING OFFICER WILL COMPLETE ITEM 17 OR 18 AS APPLICABLE

17. [X] CONTRACTOR'S NEGOTIATED AGREEMENT (Contractor is required to sign this document and return 2 copies to issuing office.) Contractor agrees to furnish and deliver all items or perform all the services set forth or otherwise identified above and on any continuation sheets for the consideration stated herein. The rights and obligations of the parties to this contract shall be subject to and governed by the following documents: (a) this award/contract, (b) the solicitation, if any, and (c) such provisions, representations, certifications, and specifications, as are attached or incorporated by reference herein. (Attachments are listed herein.)

18. [X] AWARD (Contractor is not required to sign this document.) Your offer on Solicitation. Number ________, including the additions or changes made by you which additions or changes are set forth in full above, is hereby accepted as to the items listed above and on any continuation sheets. This award consummates the contract which consists of the following documents: (a) the Government's solicitation and your offer, and (b) this award/contract. No further contractual document is necessary.

19A. NAME AND TITLE OF SIGNER (Type or print)

/s/ Charles F. Dunleavy, CFO

20A. NAME OF CONTRACTING OFFICER

19B. NAME OF CONTRACTOR	19C. DATE SIGNED	20B. UNITED STATES OF AMERICA	20C. DATE SIGNED
Ocean Power Technologies, Inc.	2/8/2002		2/11/02
By: /s/ Charles F. Dunleavy (Signature of person authorized to sign)		By: /s/ illegible (Signature of Contracting Officer)	

NSN 7540-01-152-8069
PREVIOUS EDITION UNUSABLE
NAVONR OVERPRINT (4-85)

STANDARD FORM 26 (Rev. 4-85)
Prescribed by GSA
FAR (48 CFR) 53.214(a)

Contract Number: N00014-02-C-0053

SECTION B - SUPPLIES OR SERVICES AND PRICES/COSTS

ITEM NO.	SUPPLIES/SERVICES	ESTIMATED COST	FIXED FEE	TOTAL ESTIMATED COST & FIXED FEE
0001	The Contractor shall furnish the necessary personnel and facilities to conduct fee research effort as described in Section C.	$ [**]	$ [**]	$2,399,893.00
0002	Reports and Data in accordance with Exhibit A (DD Form 1423)			NSP
0003	Option 1, Wave Tank Test 2; Validate Numerical Models	$ 99,850	5,991	$ 105,841.00
0004	Option 2, On-Going Ocean Test-Continue Monitoring	$107,979	6,479	$ 114,458.00
0005	Option 3, Complete System Removal	$195,719	11,743	$ 207,462.00
TOTAL ESTIMATED CONTRACT CONSIDERATION:		$ [**]	$ [**]	$2,399,893.00

SECTION C - DESCRIPTION/SPECIFICATIONS/WORK STATEMENT

1. The Contractor shall conduct research in accordance with the proposal described below which was submitted by the Contractor in response to the Department of Defense Program Solicitation Number, Phase III Small Business Innovation (SBIR) Program.

Topic Number: N95-074

Title Proposed by Firm: Ocean Power Technology

Date: 19 Oct 01

2. The Statement of Work is provided as attachment 1.

SECTION D - PACKAGING AND MARKING

Preservation, packaging, packing and marking of all deliverable contract line items shall conform to normal commercial packing standards to assure safe delivery at destination.

Contract Number: N00014-02-C-0053

SECTION E - INSPECTION AND ACCEPTANCE

Inspection and acceptance of the final delivery under this contract will be accomplished by the Program Officer designated in Section F of this contract, who shall have at least thirty (30) days after contractual delivery for acceptance.

SECTION F - DELIVERIES OR PERFORMANCE

1. The research effort performed under this contract shall be conducted during the period from the effective date of award through 27 months thereafter. A final report will be prepared, submitted, reproduced and distributed by sixty days thereafter unless the contract is extended, in which case, the final report will be prepared in accordance with the terms of such extension.

a. Item No. 0002 of Section B (Reports and Data) shall be delivered within the time periods stated in Exhibit A, F.O.B. Destination.

2. Distribution, consignment and marking instructions for all contract line items shall be in accordance with Attachment Number 1 and the following:

Program Officer
Office of Naval Research
Ballston Tower One
800 North Quincy Street
Arlington, Virginia 22217-5660

Attn: Paula Furman, Code 334, Telephone (703) 588-1077
Ref: Contract N00014-02-C-0053

SECTION G - CONTRACT ADMINISTRATION DATA

1. NAPS 5252.232-9001 SUBMISSION OF INVOICES (COST REIMBURSEMENT, TIME-AND-MATERIALS, LABOR-HOUR, OR FIXED PRICE INCENTIVE) (JUL 1992)

(a) "Invoice" as used in this clause includes contractor requests for interim payments using public vouchers (SF 1034) but does not include contractor requests for progress payments under fixed price incentive contracts.

(b) The Contractor shall submit invoices and any necessary supporting documentation, in an original and 4 copies, to the contract auditor* at the following address:

Audit Agency Name: Defense Contract Audit Agency

Address: Southern New Jersey Branch Office
10 Melrose Avenue, Suite 200
Cherry Hill, NJ

Contract Number: N00014-02-C-0053

Telephone: (609) 520-8850

unless delivery orders are applicable, in which case invoices will be segregated by individual order and submitted to the address specified in the order. In addition, an information copy shall be submitted to the Program Officer identified in Section F.2a of this contract. Following verification, the contract auditor* will forward the invoice to the designated payment office for payment in the amount determined to be owing, in accordance with the applicable payment (and fee) clause(s) of this contract.

(c) Invoices requesting interim payments shall be submitted no more than once every two weeks, unless another time period is specified in the Payments clause of this contract. For indefinite delivery type contracts, interim payment invoices shall be submitted no more than once every two weeks for each delivery order. There shall be a lapse of no more than 30 calendar days between performance and submission of an interim payment invoice.

(d) In addition to the information identified in the Prompt Payment clause herein, each invoice shall contain the following information, as applicable:

(1) Contract line item number (CLIN)

(2) Subline item number (SLIN)

(3) Accounting Classification Reference Number (ACRN)

(4) Payment terms

(5) Procuring activity

(6) Date supplies provided or services performed

(7) Costs incurred and allowable under the contract

(8) Vessel (e.g., ship, submarine or other craft) or system for which supply/service is provided.

(e) A DD Form 250, "Material Inspection and Receiving Report",

[ ] is required with each invoice submittal.
[X] is required only with the final Invoice.
[ ] is not required.

(f) A Certificate of Performance

[X] shall be provided with each invoice submittal.
[ ] is not required

(g) The Contractor's final invoice shall be identified as such, and shall list all other invoices (if any) previously tendered under this contract.

(h) Costs of performance shall be segregated, accumulated and invoiced to the appropriate ACRN categories to the extent possible. When such segregation of costs by ACRN is not possible for invoices submitted with CLINS/SLINS with more than one ACRN, an allocation ratio shall be established in the same ratio as the obligations cited in the accounting data so that costs are allocated on a proportional basis.

Contract Number: N00014-02-C-0053

"[X]" In contracts with the Canadian Commercial Corporation, substitute "Administrative Contracting Officer" for "contract auditor".

"[X]" Check appropriate requirements.

2. Submission of Invoices Direct to Payment Office

a. Pursuant to DFARS 242.803(b)I)(C), if the cognizant Government auditor has notified the contractor of its authorization to do so, the contractor may submit interim vouchers under this contract direct to the payment office shown in Block 12 of SF-26 instead of to the address shown in subparagraph (b) of section G.1 above.

b. Such authorization does not extend to the first and final vouchers. The contractor shall continue to submit first vouchers to the cognizant auditor shown in subparagraph (b) of section G.1. above. The final voucher shall be submitted to the Administrative Contracting Officer (SF-26 block 6) with a copy to the cognizant auditor.

3. Method of Payment

As consideration for the proper performance of the work and services required under this contract, the Contractor shall be paid as follows:

a. Costs, as provided for under the contract clause entitled "Allowable Cost and Payment," not to exceed the amount set forth as "Estimated Cost" in Section B, subject to the contract clause entitled "Limitation of Cost" or "Limitation of Funds" whichever is applicable.

b. A fixed fee in the amount set forth as "Fixed Fee" in Section B, in accordance with the contract clause entitled "Fixed Fee", which shall be paid upon completion of the work and services required under this contract and upon final acceptance by the Contracting Officer; however, the Contractor may bill on each voucher the amount of the fee bearing the same percentage to the total fixed fee as the amount of cost billed bears to the total estimated cost.

4. Procuring Office Representatives

a. In order to expedite administration of this contract, the Administrative Contracting Officer should direct inquiries to the appropriate office listed below. Please do not direct routine inquiries to the person listed in Item 20A on Standard Form 26.

Contract Negotiator - Ms. Cheryl J. De Lisle, ONR 254, (703) 696-2571 -, DSN 426-2571, E-mail Address: cheryl_delisle@onr.navy.mil

Inspection and Acceptance - Ms. Paula Furman,, ONR334, (703) 588-1077-, DSN 426-1077, E-mail Address: FurmanP@ONR.NAVY.MIL

Security Matters - Ms. Jennifer Ramsey, ONR 43, (703) 696-4618, DSN 426-4618

Patent Matters - Mr. Tom McDonnell, ONR 00CC, (703) 696-4000, DSN 426-4000.

b. The Administrative Contracting Officer will forward invention disclosures and reports directly to Corporate Counsel (Code 00CC), Office of Naval Research, Department of the Navy,

Contract Number: N00014-02-C-0053

Arlington, Virginia 22217-5660. The Corporate Counsel will return the reports along with a recommendation to the Administrative Contracting Officer. The Corporate Counsel will represent the Contracting Officer with regard to invention reporting matters arising under this contract.

5. Type of Contract

This is a cost-plus-fixed-fee completion contract.

SECTION H - SPECIAL CONTRACT REQUIREMENTS

1. ONR 5252.235-9714 REPORT PREPARATION (DEC 1988)

Scientific or technical reports prepared by the Contractor and deliverable under the terms of this contract will be prepared in accordance with format requirements contained in ANSI Z39.18, Scientific and Technical Reports: Organization, Preparation and Production.

[NOTE: ANSI Z39.18 may be obtained from NISO Press Fulfillment Center, P.O. Box 451, Annapolis Junction, MD 20701-0451. Telephone Toll-Free: 1-877-736-6476, access via the web: www.niso.org]

2. INVENTION DISCLOSURES AND REPORTS

The Contractor shall submit all invention disclosures and reports required by the Patent Rights clause of this contract to the Administrative Contracting Officer.

3. ONR 5252.210-9708 METRICATION REQUIREMENTS (DEC 1988)

(a) All scientific and technical reports delivered pursuant to the terms of this contract shall identify units of measurement in accordance with the International System of Units (SI) commonly referred to as the "Metric System". Conversion to U.S. customary units may also be given where additional clarity is deemed necessary. Guidance for application of the metric system is contained in the American Society of Testing Materials document entitled "Standard Practice for Use of the International System of Units (The Modernized Metric System)" (ASTM Designation E380-89A).

(b) This provision also applies to journal article preprints, reprints, commercially published books or chapters of books, theses or dissertations submitted in lieu of a scientific and/or technical report.

4. ONR 5252.242-9718 TECHNICAL DIRECTION (DEC 1988)

(a) Performance of the work hereunder is subject to the technical direction of the Program Officer/COTR designated in this contract, or duly authorized representative. For the purposes of this clause, technical direction includes the following:

(1) Direction to the Contractor which shifts work emphasis between work areas or tasks, requires pursuit of certain lines of inquiry, fills in details or otherwise serves to accomplish the objectives described in the statement of work;

(2) Guidelines to the Contractor which assist in the interpretation of drawings, specifications or technical portions of the work description.

(b) Technical direction must be within the general scope of work stated in the contract. Technical direction may not be used to:

(1) Assign additional work under the contract;

(2) Direct a change as defined in the contract clause entitled "Changes";

(3) Increase or decrease the estimated contract cost, the fixed fee, or the time required for contract performance;

(4) Change any of the terms, conditions or specifications of the contract.

(c) The only individual authorized to in any way amend or modify any of the terms of this contract shall be the Contracting Officer. When, in the opinion of the Contractor, any technical direction calls for effort outside the scope of the contract or inconsistent with this special provision, the Contractor shall notify the Contracting Officer in writing within ten working days after its receipt. The Contractor shall not proceed with the work affected by the technical direction until the Contractor is notified by the Contracting Officer that the technical direction is within the scope of the contract.

(d) Nothing in the foregoing paragraphs may be construed to excuse the Contractor from performing that portion of the work statement which is not affected by the disputed technical direction.

5. ONR 5252.237-9705 KEY PERSONNEL (DEC 88)

(a) The Contractor agrees to assign to the contract tasks those persons whose resumes were submitted with its proposal and who are necessary to fulfill the requirements of the contract as "key personnel". No substitutions may be made except in accordance with this clause.

(b) The Contractor understands that during the first ninety (90) days of the contract performance period, no personnel substitutions will be permitted unless these substitutions are unavoidable because of the incumbent's sudden illness, death or termination of employment. In any of these events, the Contractor shall promptly notify the Contracting Officer and provide the information described in paragraph (c) below. After the initial ninety (90) day period the Contractor must submit to the Contracting Officer all proposed substitutions, in writing, at least days in advance (days if security clearance must be obtained) of any proposed substitution and provide the information required by paragraph (c) below.

(c) Any request for substitution must include a detailed explanation of the circumstances necessitating the proposed substitution, a resume for the proposed substitute, and any other information requested by the Contracting Officer. Any proposed substitute must have qualifications equal to or superior to the qualifications of the incumbent. The Contracting Officer or his/her authorized representative will evaluate such requests and promptly notify the Contractor in writing of his/her approval or disapproval thereof.

(d) In the event that any of the identified key personnel cease to perform under the contract and the substitute is disapproved, the contract may be immediately terminated in accordance with the Termination clause of the contract.

Attention: Prime Contractors. If a subaward is made to an educational institution, Prime Contractors are directed to please refer to the ONR Model Award for appropriate flow-down clauses to universities. See http://www.onr.navy.mil, click Contracts & Grants Icon. Click Model Awards Link. Click Section I clauses that flow-down to University subcontractors.

SECTION I - CONTRACT CLAUSES

Cost Plus Fixed Fee Research and Development (SBIR) (DEC 2001) (1)

*	Applies when contract action exceeds $10,000
**	Applies when contract action exceeds $100,000
+	Applies when contract action exceeds $500,000
++	Applies when contract action exceeds $500,000 and subcontracting possibilities exist. Small Business Exempt.
x	(DD 250)

(A) FAR 52.252-02 CLAUSES INCORPORATED BY REFERENCE (FEB 1998)

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this address: http ://www. arnet. gov/far/

http://web1.deskbook.osd.mil/htmlfiles/DBY_far.asp
http://web2.deskbook.osd.mil/htmlfiles/DBY_dfars.asp
http://farsite.hill.af.mil/farsite_script-html

I. FEDERAL ACQUISITION REGULATION (FAR) (48 CFR CHAPTER 1) CLAUSES:

**	FAR 52.202-1	Definitions (DEC 2001)
**	FAR 52.203-3	Gratuities (APR 1984)
**	FAR 52.203-5	Covenant Against Contingent Fees (APR 1984)
**	FAR 52.203-6	Restrictions on Subcontractor Sales to the Government (JUL 1995)
**	FAR 52.203-7	Anti-Kickback Procedures (JUL 1995)
**	FAR 52.203-8	Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity (JAN 1997)
**	FAR 52.203-10	Price or Fee Adjustment for Illegal or Improper Activity (JAN 1997)
**	FAR 52.203-12	Limitation on Payments to Influence Certain Federal Transactions (JUN 1997)
**	FAR 52.204-4	Printing/Copying Double-Sided on Recycled Paper (AUG 2000)
	FAR 52.211-15	Defense Priority and Allocation Requirements (SEP 1990)
**	FAR 52.215-2	Audit and Records - Negotiation (JUN 1999) and Alternate II (APR 1998) (Alternate II is only applicable with cost reimbursement contracts with State and local Governments, educational institutions, and other non-profit organizations.)
	FAR 52.215-8	Order of Precedence - Uniform Contract Format (OCT 1997)
+	FAR 52.215-10	Price Reduction for the Defective Cost or Pricing Data (OCT 1997) (The clause is applicable to subcontracts over $550,000.)

+	FAR 52.215-12	Subcontractor Cost or Pricing Data (OCT 1997) (Applicable to subcontracts over $550,000 only)
**	FAR 52.215-14	Integrity of Unit Prices (OCT 1997) and Alternate I (OCT 1997) (Alternate I is applicable if the action is contracted under Other Than Full and Open Competition)
+	FAR 52.215-15	Pension Adjustments and Asset Reversions (DEC 1998)
+	FAR 52.215-18	Reversion or Adjustment of Plans for Postretirement Benefits (PRB) Other than Pensions (OCT 1997)
+	FAR 52.215-19	Notification of Ownership Changes (OCT 1997) (Applicable when Cost or Pricing Data is required)
	FAR 52.216-7	Allowable Cost and Payment (MAR 2000)
	FAR 52.216-8	Fixed Fee (MAR 1997)
**	FAR 52.219-4	Notice of Price Evaluation Preference for HUBzone Small Business Concerns (JAN 1999)
**	FAR 52.219-8	Utilization of Small Business Concerns (OCT 2000)
++	FAR 52.219-9	Small Business Subcontracting Plan (OCT 2001)
++	FAR 52.219-16	Liquidated Damages - Subcontracting Plan (JAN 1999)
	FAR 52.222-1	Notice to the Government of Labor Disputes (FEB 1997)
**	FAR 52.222-2	Payment for Overtime Premiums (JUL 1990) (Note: The word "zero" is inserted in the blank space indicated by an asterisk)
	FAR 52.222-3	Convict Labor (AUG 1996) (Reserved when FAR 52.222-20 Walsh Healy Public Contracts Act is applicable)
**	FAR 52.222-4	Contract Work Hours and Safety Standards Act - Overtime Compensation (SEP 2000)
	FAR 52.222-21	Prohibition of Segregated Facilities (FEB 1999)
	FAR 52.222-26	Equal Opportunity (FEB 1999)
*	FAR 52.222-35	Equal Opportunity for Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans (DEC 2001 1998)
*	FAR 52.222-36	Affirmative Action for Workers with Disabilities (JUN 1998)
*	FAR 52.222-37	Employment Reports on Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans (DEC 2001)
**	FAR 52.223-14	Toxic Chemical Release Reporting (OCT 2000)
	FAR 52.225-13	Restrictions on Certain Foreign Purchases (JUL 2000)
**	FAR 52.227-1	Authorization and Consent (JUL 1995)
**	FAR 52.227-2	Notice and Assistance Regarding Patent and Copyright Infringement (AUG 1996)
	FAR 52.228-7	Insurance Liability to Third Persons (MAR 1996) (Further to paragraph (a)(3), unless otherwise stated in this contract, types and limits of insurance required are as stated in FAR 28.307-2)
	FAR 52.232-9	Limitation on Withholding of Payments (APR 1984)
**	FAR 52.232-17	Interest (JUN 1996)
	FAR 52.232-23	Assignment of Claims (JAN 1986) and Alternate I (APR 1984)
	FAR 52.232-33	Payment by Electronic Funds Transfer - Central Contractor Registration (MAY 1999)
	FAR 52.233-1	Disputes (DEC 1998)
	FAR 52.233-3	Protest After Award (AUG 1996) and Alternate I (JUN 1985)
	FAR 52.242-1	Notice of Intent to Disallow Costs (APR 1984)

+	FAR 52.242-3	Penalties for Unallowable Costs (MAY 2001)
	FAR 52.242-4	Certification of Final Indirect Costs (JAN 1997)
**	FAR 52.242-13	Bankruptcy (JUL 1995)
	FAR 52.242-15	Stop Work Order (AUG 1989) and Alternate I (APR 1984)
	FAR 52.244-2	Subcontracts (AUG 1998) and Alternate I (AUG 1998) [INSERT IN COST-REIMBURSEMENT CONTRACTS, AND LETTER, TIME-AND-MATERIAL, AND LABOR-HOUR CONTRACTS EXCEEDING SAP, AND FIXED PRICE CONTRACTS EXCEEDING SAP WHERE UNPRICED ACTIONS ARE ANTICIPATED. USE ALTERNATE I FOR COST-REMBURSEMENT CONTRACTS]
**	FAR 52.244-5	Competition in Subcontracting (DEC 1996)
	FAR 52.244-6	Subcontracts for Commercial Items and Commercial Components (DEC 2001)
	FAR 52.245-5	Government Property (Cost-Reimbursement, Time-and-Materials, or Labor-Hour Contracts) (JAN 1986) and ALT I (JUL 1985) (As modified by DoD Class Deviation 99-00008 dated 13 July 1999) (ALT I is applicable if the contractor is a nonprofit organization whose primary purpose is the conduct of scientific research)
**	FAR 52.247-64	Preference for Privately Owned U.S. Flag Commercial Vessels (JUN 2000)
	FAR 52.249-6	Termination (Cost-Reimbursement) (SEP 1996)
	FAR 52.249-14	Excusable Delays (APR 1984)
	FAR 52.251-1	Government Supply Sources (APR 1984)
	FAR 52.253-1	Computer Generated Forms (JAN 1991)

II. DEPARTMENT OF DEFENSE FAR SUPPLEMENTAL (DFARS) (48 CFR CHAPTER 2) CLAUSES:

**	DFARS 252.203-7001	Prohibition On Persons Convicted of Fraud or Other Defense-Contract-Related Felonies (MAR 1999)
	DFARS 252.204-7003	Control of Government Work Product (APR 1992)
	DFARS 252.204-7004	Required Central Contractor Registration (NOV 2001)
**	DFARS 252.209-7000	Acquisition from Subcontractors subject to On-Site Inspection under the Intermediate Range Nuclear Forces (INF) Treaty (NOV 1995)
**	DFARS 252.209-7004	Subcontracting with Firms That Are Owned or Controlled by the Government of a Terrorist Country (MAR 1998)
+	DFARS 252.215-7000	Pricing Adjustments (DEC 1991)
++	DFARS 252.219-7003	Small, Small Disadvantaged and Women-owned Small Business Subcontracting Plan (DoD Contracts) (APR 1996)
**	DFARS 252.225-7012	Preference for Certain Domestic Commodities (AUG 2000)
	DFARS 252.225-7031	Secondary Arab Boycott of Israel (JUN 1992)
	DFARS 252.227-7016	Rights in Bid or Proposal Information (JUN 1995)

	DFARS 252.227-7019	Validation of Asserted Restrictions - Computer Software (JUN 1995)
	DFARS 252.227-7025	Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends (JUN 1995)
	DFARS 252.227-7028	Technical Data or Computer Software Previously Delivered to the Government (JUN 1995)
	DFARS-252.227-7030	Technical Data - Withholding of Payment (MAR 2000)
	DFARS 252.227-7036	Declaration of Technical Data Conformity (JAN 1997)
	DFARS 252.227-7037	Validation of Restrictive Markings on Technical Data (SEP 1999)
	DFARS 252.231-7000	Supplemental Cost Principles (DEC 1991)
	DFARS 252.242-7000	Post-Award Conference (DEC 1991)
**	DFARS 252.243-7002	Requests for Equitable Adjustment (MAR 1998)
	DFARS 252.245-7001	Reports of Government Property (MAY 1994)
	DFARS 252.246-7000	Material Inspection and Receiving Report (DEC 1991)
	DFARS 252.251-7000	Ordering from Government Supply Sources (MAY 1995)
**	DFARS 252.247-7023	Transportation of Supplies by Sea (MAR 2000)
**	DFARS 252.247-7024	Notification Of Transportation Of Supplies By Sea (MAR 2000) (Applicable when the Contractor has made a negative response to the inquiry in the representation at DFARS 252.247-7022.)
	DFARS 252.251-7000	Ordering from Government Supply Sources (MAY 1995)

(B) ADDITIONAL FAR AND DFARS CLAUSES

This contract incorporates one or more clauses by reference as indicated by the mark of (X), with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this address: http://www.arnet.gov/far/

	FAR 52.204-2	Security Requirements (AUG 1996) (Applicable if contract will generate or require access to classified information and DD Form 254, Contract Security Classification Specification, is issued to the contractor)
X	FAR 52.209-6	Protecting the Government's Interest when Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment (JUL 1995) (Applicable to contracts exceeding $25,000 in value.)
X	FAR 52.215-17	Waiver of Facilities Capital Cost of Money (OCT 1997) (Applicable if the Contractor did not propose facilities capital cost of money in the offer)
X	FAR 52.215-20	Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data (OCT 1997) (Applicable if cost or pricing data or information other than cost or pricing data are required)
	FAR 52.215-21	Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data - Modifications (OCT 1997) (Applicable if cost or pricing data or information other than cost or pricing data will be required for modifications)
X	FAR 52.217-9	Option to Extend the Term of the Contract (MAR 2000) (In

		paragraph (a), insert "any time before the contract expires", and in paragraph (c), insert "27 months")
	FAR 52.219-3	Notice of Total HUBZone Set-Aside (JAN 1999)
	FAR 52.219-5	Very Small Business Set-Aside (MAR 1999) (For actions between $2,500 and $50,000)
	FAR 52.219-6	Notice of Total Small Business Set-Aside (JUL 1996), and Alternate I (OCT 1995) (Applicable to total small business set-asides, including SBIR)
	FAR 52.219-7	Notice of Partial Small Business Set-Aside (JUL 1996) and Alternate I (OCT 1995)
	FAR 52.219-10	Incentive Subcontracting Program (OCT 2001) (Applicable at the PCO's discretion to contract actions exceeding $500,000 and when subcontracting possibilities exist. The clause is small business exempt) (In paragraph (b), insert the appropriate number between 0 and 10 - "XX") (Complete the space in the parentheses)
	FAR 52.219-25	Small Disadvantaged Business Participation Program - Disadvantaged Status and Reporting (OCT 1999) (Applicable if contract includes FAR 52.219-24)
	FAR 52.219-26	Small Disadvantaged Business Participation Program - Incentive Subcontracting Program (OCT 2000) (Applicable at the PCO's discretion to contract actions exceeding $500,000 and when subcontracting possibilities exist. The clause is small business exempt) (In paragraph (b), insert the appropriate number between 0 and 10 - "XX") (Complete the space in the parentheses)
	FAR 52.222-20	Walsh Healy Public Contracts Act (DEC 1996) (Applicable if the contract includes deliverable materials, supplies, articles or equipment in an amount that exceeds or may exceed $10,000)
	FAR 52.223-5	Pollution Prevention and Right-to-Know Information (APR 1998) (Applicable if contract provides for performance, in whole or in part, on a Federal facility)
X	FAR 52.223-6	Drug-Free Workplace (MAY 2001) (Applies when contract action exceeds $100,000 or at any value when the contract is awarded to an individual)
X	FAR 52.227-20	Rights in Data - SBIR Program (Mar 1994)
	FAR 52.230-2	Cost Accounting Standards (APR 1998) (Applicable when contract amount is over $500,000, if contractor is subject to full CAS coverage, as set forth in 48 CFR Chapter 99, Subpart 9903.201-2(a) (FAR Appendix B)
	FAR 52.230-3	Disclosure and Consistency of Cost Accounting Practices (APR 1998) (Applicable when contract amount is over $500,000 but less than $25 million, and the offerer certifies it is eligible for and elects to use modified CAS coverage as set forth in 48 CFR Chapter 99, Subpart 9903.201-2 (FAR Appendix B)
	FAR 52.230-6	Administration of Cost Accounting Standards (NOV 1999) (Applicable if contract is subject to either clause at FAR 52.230-2 or the clause at FAR 52.230-3 and FAR 52.230-5)
X	FAR 52.232-20	Limitation of Cost (APR 1984) (Applicable only when contract action is fully funded)

X	FAR 52.232-22	Limitation of Funds (APR 1984) (Applicable only when contract action is incrementally funded)
X	FAR 52.232-33	Payment by Electronic Funds Transfer - Central Contractor Registration (MAY 1999)
	FAR 52.239-1	Privacy or Security Safeguards (AUG 1996) (Applicable to contracts for information technology which require security of information technology, and/or are for the design, development, or operation of a system of records using commercial information technology services or support services.)
	FAR 52.245-18	Special Test Equipment (FEB 1993) Applicable when it is anticipated that the contractor will acquire or fabricate special test equipment but the exact identification of the equipment is not known)
	DFARS 252.203-7002	Display of DoD Hotline Poster (DEC 1991) (Applicable only when contract action exceeds $5 million or when any modification increases contract amount to more than $5 million)
	DFARS 252.204-7000	Disclosure of Information (DEC 1991) (Applies when Contractor will have access to or generate unclassified information that may be sensitive and inappropriate for release to the public)
	DFARS 252.204-7005	Oral Attestation of Security Responsibilities (NOV 2001) (Applicable if FAR 52.204-2, Security Requirements Applies)
X	DFARS 252.205-7000	Provision of Information to Cooperative Agreement Holders (DEC 1991) (Applicable only when contract action exceeds $500,000 or when any modification increases total contract amount to more than $500,000)
X	DFARS 252.215-7002	Cost Estimating System requirements (Oct 1998) (Applicable only to contract actions awarded on the basis of certified cost or pricing data)
	DFARS 252.223-7004	Drug-Free Work Force (SEP 1988) (Applicable (a) if contract involves access to classified information: or (b) when the Contracting Officer determines that the clause is necessary for reasons of national security or for the purpose of protecting the health or safety of performance of the contract.
	DFARS 252.223-7006	Prohibition on Storage and Disposal of Toxic and Hazardous Materials (APR 1993) (Applicable if work requires, may require, or permits contractor performance on a DoD installation)
	DFARS 252.225-7001	Buy American Act and Balance of Payments Program (MAR 1998) (Applicable if the contract includes deliverable supplies) (This clause does not apply if an exception to the Buy American Act or Balance of Payments Program is known or if using the clause at 252.225-7007, 252.225-7021, or 252.225-7036.)
	DFARS 252.225-7002	Qualifying Country Sources as Subcontractors (DEC 1991)

		(Applicable when clause at DFARS 252.225-7001, 252.227-7007, 252.227-7021, or 252.227-7036 applies)
	DFARS 252.225-7007	Buy American Act - Trade Agreements - Balance of Payments Program (SEP 2001) (Use instead of FAR 52.225-5, Trade Agreements (Include in contracts valued at $186,000 or more, if the Trade Agreements Act applies (see 25.401 and 25.403) and the agency has determined that the restrictions of the Buy American Act or Balance of Payments Program are not applicable to U.S.- made end products, unless the acquisition is to be awarded and performed outside the United States in support of a contingency operation or a humanitarian or peacekeeping operation and does not exceed the increase simplified acquisition threshold of $200,000.) The clause need not be used where purchase from foreign sources is restricted (see 225.401 (b)(ii)). The clause may be used where the contracting officer anticipates a waiver of the restriction.)
	DFARS 252.225-7008	Supplies to be Accorded Duty-Free Entry (MAR 1998) (Applicable when the contract provides for duty-free entry and includes FAR 52.225-8 - Duty-Free Entry)
	DFARS 252.225-7009	Duty-Free Entry- Qualifying Country Supplies (End Products and Components) (AUG 2000) (Applicable if contract includes deliverable supplies)
	DFARS 252.225-7010	Duty-Free Entry - Additional Provisions (AUG 2000) (Applicable when FAR 52.225-8 - Duty-Free Entry is included in the contract.)
	DFARS 252.225-7016	Restriction On Acquisition Of Ball And Roller Bearings (DEC 2000) (Applicable if contract includes deliverable supplies, unless Contracting Officer knows that items being acquired do not contain ball or roller bearings)
X	DFARS 252.225-7026	Reporting of Contract Performance Outside the United States (JUN 2000) (Applicable only when contract value exceeds $500,000 or when any modification increases contract value to more than $500,000)
	DFARS 252.226-7001	Utilization of Indian Organizations and Indian-Owned Economic Enterprises (SEP 2001) [(Applicable if contract is subject to FAR 52.219-9 Small Business Subcontracting Plan) (This Interim Rule replaces FAR 52.226-1 (JUN 2000) via DFARS Chg Ntc 200110911]
X	DFARS 252.227-7018	Rights in Noncommercial Technical Data and Computer Software - Small Business Innovation Research (SBIR) Program (JUN 1995) (Applicable when technical data or computer software will be generated during performance of contracts under the SBIR Program)
	DFARS 252.242-7004	Material Management and Accounting System (DEC 2000) (Applicable to contract actions exceeding $100,000) (Not

applicable to contracts set aside for exclusive participation by small business and small disadvantaged business concerns)

D. COST-PLUS-FIXED-FEE-RESEARCH AND DEVELOPMENT CLAUSES

The following FAR and DFARS clauses apply to Cost-Plus-Fixed-Fee Research and Development Contracts and are either required by regulation or are required when the circumstances of the contract warrant that they apply: (** - applies to contract actions exceeding $100,000)

	FAR 52.225-16	Sanctioned European Union Country Services (FEB 2000)
**	FAR 52227-1	Authorization and Consent (JUL 1995) and Alternate I (APR 1984)
	FAR 52.243-2	Changes - Cost Reimbursement (AUG 1987) and Alternate V(APR 1984)
	FAR 52.246-9	Inspection of Research and Development (Short Form) (APR 1984)
	FAR 52.246-23	Limitation of Liability (FEB 1997)
	DFARS 252.235-7002	Animal Welfare (DEC 1991)
	DFARS 252.235-7011	Final Scientific or Technical Report (SEP 1999)

The following FAR and DFARS clauses for Cost-Plus-Fixed-Fee Research and Development Contracts only apply when specifically marked with a check (x):

	FAR 52.227-10	Filing of Patent Applications - Classified Subject Matter (APR 1984) (Applicable if contract is subject to FAR clause 52.204-02 and either 52.227-11 or 52.227-12)
X	FAR 52.227-11	Patent Rights - Retention by the Contractor (Short Form) (JUN 1997) (Applicable if contractor is a small business or non profit organization)
	OR	
	FAR 52.227-12	Patent Rights - Retention by the Contractor (Long Form) (JAN 1997) (Applicable if contractor is a large business)
X	DFARS 252.227-7034	Patents - Subcontracts (APR 1984) (Applicable when FAR 52.227-11 applies)
X	DFARS 252.227-7039	Patents - Reporting of Subject Inventions (APR 1990) (Applied when FAR 52.227-11 applies)

SECTION J - LIST OF ATTACHMENTS

1. EXHIBIT A, entitled "Contract Data Requirements List" (DD Form 1423) - 13 pages with Enclosure Number 1, entitled "Contract Data Requirements List - Instructions for Distribution."

2. Attachment Number 1, entitled, "Statement of Work," 6 pages.

3. Attachment Number 2, entitled "Financial Accounting Data Sheet."

SECTION K - REPRESENTATION, CERTIFICATIONS AND OTHER STATEMENTS OF OFFERORS

1. The Contractor's Representations and Certifications, dated 2001-06-07 are hereby incorporated into this contract by reference.

Contract Number: N00014-02-C-0053

CONTRACT DATA REQUIREMENTS LIST
INSTRUCTIONS FOR DISTRIBUTION

DISTRIBUTION OF TECHNICAL REPORTS AND FINAL REPORT

ADDRESSEE	DODAAD CODE	NUMBER OF COPIES: UNCLASSIFIED/ UNLIMITED	NUMBER OF COPIES: UNCLASSIFIED/ LIMITED AND CLASSIFIED
Program Officer E-mail: FurmanP@onr.navy.mil	N00014	1	1
Administrative Contracting Officer*	S3915A	1	1
SBIR Program Coordinator ATTN: Doug Harry Office of Naval Research 800 North Quincy Street Arlington, VA 22217-5660	N00014	1	1
Director, Naval Research Laboratory ATTN: Code 5227 Washington, D. C. 20375-5326	N00173	1	1
Defense Technical Information Center 8725 John J. Kingman Road STE 0944 Ft. Belvoir, VA 22060-6218 ATTN: Pat Mawby E-mail: pmawby@dtic.mil	S47031	2	2

Enclosure Number 1

Contract Number: N00014-02-C-0053

REPORT DOCUMENTATION PAGE			FORM APPROVED OMB No. 0704-0188

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing the reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1214 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget. Paperwork Reduction Project (0704-0188), Washington, DC 20503.

1. AGENCY USE ONLY (Leave Blank)	2. REPORT DATE	3. REPORT TYPE AND DATES COVERED	
4. TITLE AND SUBTITLE			5. FUNDING NUMBERS
6. AUTHOR(S)			
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)			8. PERFORMING ORGANIZATION REPORT NUMBER
9. SPONSORING/MONITORING ABENCY NAME(S) AND ADDRESS(ES)			10. SPONSORING / MONITORING ABENCY REPORT NUMBER
11. SUPPLEMENTARY NOTES			
12A. DISTRIBUTION / AVAILABILITY STATEMENT Distribution authorized to U.S. Government Agencies only; report contains proprietary data produced under SBIR (or STTR) contract (whichever applies). Other requests shall be referred to the performing organization in Block 7 of this form.			12B. DISTRIBUTION CODE
13. ABSTRACT (MAXIMUM 200 WORDS)			
14. SUBJECT TERMS			15. NUMBER OF PAGES
			16. PRICE CODE
17. SECURITY CLASSIFICATION OF REPORT	18. SECURITY CLASSIFICATION OF THIS PAGE	19. SECURITY CLASSIFICATION OF ABSTRACT	20. LIMITATION OF ABSTRACT

NSN 7540-01-280-5500

Standard Form 298 (Rev 2-89)
Prescribed By ANSI std. Z39-18
298-102

Enclosure Number 1

CONTRACT DATA REQUIREMENTS LIST

Form Approved
OMB No. 0704-0188

Public reporting burden for this collection of information is estimated to average 440 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this _______ or information, including suggestions for reducing the burden, to Washington Headquarters Services Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget Paperwork Reduction Project (0704-0188), Washington, DC 20503.

A. CONTRACT LINE ITEM NO. N00014-02-C-0053
B. EXHIBIT A
C. CATEGORY: TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM Ocean Power Technology Program
E. CONTRACT/PR NO.
F. CONTRACTOR Ocean Power Technologies, Inc.

1. DATA ITEM NO. A001
2. TITLE OF DATA ITEM Progress Report
3. SUBTITLE Administrative Progress Report

4. AUTHORITY (Data Acquisition Document No.) Contractor Format
5. CONTRACT REFERENCE SOW Task 5
6. REQUIRING OFFICE ONR 334

7. DD 250 REQ LT
9. DIST STATEMENT REQUIRED
10. FREQUENCY MTHLY
12. DATE OF FIRST SUBMISSION 28 DAC. See BLK 16
8. APP CODE
11. AS OF DATE
13. DATE OF SUBSEQUENT SUBMISSION 15th of each month. See BLK 16

14. DISTRIBUTION

ADDRESSEE	Draft	b. COPIES Final REQ	REPRO
ONR 254		LT	
ONR 334		1	1
NFESC 52		1	1
15. TOTAL	0	2	2

16. REMARKS
The first Administrative Progress Report shall be delivered 28 days after award of the contract. Subsequent monthly submittals shall be delivered on the 15th of each month for the previous months activities.
The first page shall indicate:
- the title,
- the contractor's name and address,
- the contract number and CDRL number,
- the date of the report, and the period covered by the report.

Progress payment vouchers shall be coordinated with the costs given in these reports.

_______ report shall summarize the following information for the previous months reporting period:
- Actual versus planned resource
- Actual versus planned deliverables, showing due and completion dates.
- Resolution of previous problem areas reported on the previous report.
- Any technical, schedule, or cost problems encountered or expected.

If any problems are reported, then the report shall also include the following information:
- Description of problem(s)
- Recommend action(s)
- Resulting impact on contract (if any)

G. PREPARED BY R. L. Brackett
H. DATE 28 Nov. 2001
L. APPROVED BY P. Furman
J. DATE 28 Nov. 2001

CONTRACT DATA REQUIREMENTS LIST

Form Approved
OMB No. 0704-0188

Public reporting burden for this collection of information is estimated to average 440 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection or information, including suggestions for reducing the burden, to Washington Headquarters Services Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget Paperwork Reduction Project (0704-0188), Washington, DC 20503.

A. CONTRACT LINE ITEM NO. N00014-02-C-0053 | B. EXHIBIT A | C. CATEGORY: TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM Ocean Power Technology Program | E. CONTRACT/PR NO. | F. CONTRACTOR Ocean Power Technologies, Inc.

1. DATA ITEM NO. A002 | 2. TITLE OF DATA ITEM Meeting Agenda | 3. SUBTITLE

4. AUTHORITY (Data Acquisition Document No.) Contractor Format | 5. CONTRACT REFERENCE SOW Task 5 | 6. REQUIRING OFFICE ONR 334

7. DD 250 REQ LT | 9. DIST STATEMENT REQUIRED | 10. FREQUENCY ASREQ | 12. DATE OF FIRST SUBMISSION See BLK 16 | 14. DISTRIBUTION

8. APP CODE | 11. AS OF DATE | 13. DATE OF SUBSEQUENT SUBMISSION See BLK 16

16. REMARKS
The Contractor shall prepare and deliver a Draft Meeting Agenda to the Government at least 10 working days prior to each Review Meeting. The agenda shall be prepared in Contractor format and shall indicate each topic proposed for discussion as well as the time allocated for each topic. Government comments will be returned to the contractor 5 working days prior to the meeting. The contractor shall incorporate the government comments and present a Final Agenda at the beginning of each meeting.

ADDRESSEE	b. COPIES Draft	Final REQ	Final REPRO
ONR 254		LT	
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

G. PREPARED BY R. L. Brackett | H. DATE 28 Nov. 2001 | L. APPROVED BY P. Furman | J. DATE 28 Nov. 2001

Form 1423-2, JUN 90 Previous editions are obsolete Page __ of __

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Form Approved
OMB No. 0704-0188

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A. CONTRACT LINE ITEM NO.: N00014-02-C-0053
B. EXHIBIT: A
C. CATEGORY: TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM: Ocean Power Technology Program
E. CONTRACT/PR NO.:
F. CONTRACTOR: Ocean Power Technologies, Inc.

1. DATA ITEM NO.: A003
2. TITLE OF DATA ITEM: Meeting Minutes
3. SUBTITLE:

4. AUTHORITY (Data Acquisition Document No.): Contractor Format
5. CONTRACT REFERENCE: SOW Task 5
6. REQUIRING OFFICE: ONR 334

7. DD 250 REQ: LT
9. DIST STATEMENT REQUIRED:
10. FREQUENCY: ASREQ
12. DATE OF FIRST SUBMISSION: 7 days after meeting

8. APP CODE:
11. AS OF DATE:
13. DATE OF SUBSEQUENT SUBMISSION: See BLK 16

14. DISTRIBUTION

ADDRESSEE	b. COPIES Draft	Final REQ	Final REPRO
ONR 254		LT	
ONR 334		1	1
NFESC 52		1	1
15. TOTAL	0	2	2

16. REMARKS

Meeting Minutes shall be submitted in Contractor format within 7 days after each Review Meeting.

The first page shall indicate:

- the title,
- the contractor's name and address,
- the contract number and CDRL number,
- the date of the meeting, and the location.

Meeting Minutes shall summarize all topics discussed and shall include resolution of any technical issues. The Minutes shall include an appendix presenting a list of Action Items, person or organization responsible for completing the task as well as the agreed completion date. The Minutes shall include a list of attendees by name, rank or position, activity, and phone number.

G. PREPARED BY: R. L. Brackett
H. DATE: 28 Nov. 2001
L. APPROVED BY: P. Furman
J. DATE: 28 Nov. 2001

CONTRACT DATA REQUIREMENTS LIST

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OMB No. 0704-0188

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A. CONTRACT LINE ITEM NO. N00014-02-C-053
B. EXHIBIT A
C. CATEGORY: TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM Ocean Power Technology Program
E. CONTRACT/PR NO.
F. CONTRACTOR Ocean Power Technologies, Inc.

1. DATA ITEM NO. A004
2. TITLE OF DATA ITEM Presentation material
3. SUBTITLE

4. AUTHORITY (Data Acquisition Document No.)
5. CONTRACT REFERENCE SOW Task 5
6. REQUIRING OFFICE ONR 334

7. DD 250 REQ LT
9. DIST STATEMENT REQUIRED
10. FREQUENCY ASREQ
12. DATE OF FIRST SUBMISSION See BLK 16
14. DISTRIBUTION

8. APP CODE
11. AS OF DATE
13. DATE OF SUBSEQUENT SUBMISSION See BLK 16

16. REMARKS
The Contractor shall provide a set of all audio/visual material used during each Review Meeting at the conclusion of the presentation. Video presentation material shall be prepared in NTSC standard and recorded on VHS format videotape. Hard copies of presentation View Graphs shall be prepared on 8 1/2 by 11 inch white bond paper. Electronic (reproducible) copies shall be compatible with Microsoft PowerPoint 2000.

ADDRESSEE	b. COPIES Draft	Final REQ	Final REPRO
ONR 254		LT	
ONR 334		1	1
NFESC 52		1	1
15. TOTAL	0	2	2

G. PREPARED BY R. L. Brackett
H. DATE 28 Nov. 2001
L. APPROVED BY P. Furman
J. DATE 28 Nov. 2001

Form 1423-2, JUN 90   Previous editions are obsolete   Page __ of __

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A. CONTRACT LINE ITEM NO. N00014-02-C-0053 | B. EXHIBIT A | C. CATEGORY: TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM Ocean Power Technology Program | E. CONTRACT/PR NO. | F. CONTRACTOR Ocean Power Technologies, Inc.

1. DATA ITEM NO. A005 | 2. TITLE OF DATA ITEM Technical Report | 3. SUBTITLE Hydrodynamic Model Upgrade & Validation

4. AUTHORITY (Data Acquisition Document No.) | 5. CONTRACT REFERENCE SOW Task 2.6.1 | 6. REQUIRING OFFICE ONR 334

7. DD 250 REQ DD | 9. DIST STATEMENT REQUIRED | 10. FREQUENCY ONE/R | 12. DATE OF FIRST SUBMISSION 83 DAC - See BLK 16

8. APP CODE | 11. AS OF DATE | 13. DATE OF SUBSEQUENT SUBMISSION 103 DAC - See BLK 16

14. DISTRIBUTION

ADDRESSEE	b. COPIES Draft	Final REQ	Final REPRO
ONR 254	LT	DD	
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

16. REMARKS
BLK 12: The first submission of the report shall be a draft of the Technical Report. Government comments on the draft report will be returned to the Contractor 14 days prior to the required submission of the Final Technical Report (see BLK 13)
BLK 13: The second submission of the Technical Report shall be a final version that incorporates comments from the Government review of the draft report.

The Final Report shall compile all of the design criteria, assumptions, calculations performed, issues, and resolutions addressed during performance of the contract. All calculations shall be presented in a clear and logical order. The calculation sheets shall be fully annotated in such a manner that the government design quality assurance engineers can independently review the assumptions, method and calculations. Each calculation sheet shall include: project title, task title, date, engineer's name, and page number. With each submittal, calculations covering the work performed shall be included. The contractor shall also deliver electronic data file(s) of any simulation model calculations or results.

The first page shall indicate:

- the title,
- the contractor's name and address,
- the contract number and CDRL number,
- the date of the report, and the period covered by the report.

All copies of this Contract Deliverable shall be provided in electronic format. Electronic copies of reports shall be submitted in one of the following formats: (a) Portable Document Format (.pdf), or (b) Microsoft Word, 2000. All embedded figures and tables in these reports must be compatible with MS-Windows95. All electronic files shall be delivered preferably on a medium compatible with a 100MB Iomega(R) zip(TM) drive or CD ROM. Electronic copies of small items, (less than 1 Megabyte), may be delivered by E-mail or on 3.5" floppy discs, as mutually agreed to by the Contractor and the Government.

G. PREPARED BY R. L. Brackett | H. DATE 28 Nov. 2001 | L. APPROVED BY P. Furman | J. DATE 28 Nov. 2001

CONTRACT DATA REQUIREMENTS LIST	Form Approved OMB No. 0704-0188

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A. CONTRACT LINE ITEM NO. N00014-02-C-0053	B. EXHIBIT A	C. CATEGORY: TOP [ ] TM [ ] OTHER [ ]
D. SYSTEM/ITEM Ocean Power Technology Program	E. CONTRACT/PR NO.	F. CONTRACTOR Ocean Power Technologies, Inc.
1. DATA ITEM NO. A006 / 2. TITLE OF DATA ITEM Technical Report		3. SUBTITLE Operational Availability Model
4. AUTHORITY (Data Acquisition Document No.)	5. CONTRACT REFERENCE SOW Task 2.2 & 2.6.2	6. REQUIRING OFFICE ONR 334
7. DD 250 REQ DD / 9. DIST STATEMENT REQUIRED / 10. FREQUENCY ONE/R	12. DATE OF FIRST SUBMISSION 137 DAC - See BLK 16	14. DISTRIBUTION
8. APP CODE / 11. AS OF DATE	13. DATE OF SUBSEQUENT SUBMISSION 168 DAC - See BLK 16	

14. DISTRIBUTION

ADDRESSEE	b. COPIES Draft	Final REQ	Final REPRO
ONR 254	LT	DD	
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

16. REMARKS

BLK 12: The first submission of the report shall be a draft of the Technical Report. Government comments on the draft report will be returned to the Contractor 14 days prior to the required submission of the Final Technical Report (See BLK 13)

BLK 13: The second submission of the Technical Report shall be a final version that incorporates comments from the Government review of the draft report.

Technical Report shall compile all of the design criteria, assumptions, calculations performed, issues and resolutions addressed during performance of the contract. All calculations shall be presented in a clear and logical order. The calculation sheets shall be fully annotated in such a manner that government design quality assurance engineers can independently review the assumptions, method and calculations. Each calculation sheet shall include: project title, task title, date, engineer's name, and page number. With each submittal, calculations covering the work performed shall be included. The contractor shall also deliver electronic data file(s) of any simulation model calculations or results.

The first page shall indicate:

- the title,
- the contractor's name and address,
- the contract number and CDRL number,
- the date of the report, and the period covered by the report.

All copes of this Contract Deliverable shall be provided in electronic format. Electronic copies of reports shall be submitted in one of the following formats: (a) Portable Document Format (.pdf), or (b) Microsoft word, 2000. All embedded figures and tables in these reports must be compatible with MS-Windows95. All electronic files shall be delivered preferably on a medium compatible with a 100 MB Iomega(R) zip (TM) drive or CD ROM. Electronic copies of small items (less than 1 Megabyte), may be deliverable by E-mail or on 3.5" floppy discs, as mutually agreed to by the Contractor and the Government.

G. PREPARED BY	H. DATE	L. APPROVED BY	J. DATE
R. L. Brackett	28 Nov. 2001	P. Furman	28 Nov. 2001

CONTRACT DATA REQUIREMENTS LIST

Form Approved
OMB No. 0704-0188

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A. CONTRACT LINE ITEM NO. N00014-02-C-0053 | B. EXHIBIT A | C. CATEGORY: TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM: Ocean Power Technology Program | E. CONTRACT/PR NO. | F. CONTRACTOR: Ocean Power Technologies, Inc.

1. DATA ITEM NO.: A007 | 2. TITLE OF DATA ITEM: Technical Report | 3. SUBTITLE: Multi-Buoy Simulation Model

4. AUTHORITY (Data Acquisition Document No.) | 5. CONTRACT REFERENCE: SOW Task 2.3 | 6. REQUIRING OFFICE: ONR 334

7. DD 250 REQ: DD | 9. DIST STATEMENT REQUIRED | 10. FREQUENCY: ONE/R | 12. DATE OF FIRST SUBMISSION: 109 DAC - See BLK 16

8. APP CODE | 11. AS OF DATE | 13. DATE OF SUBSEQUENT SUBMISSION: 144 DAC - See BLK 16

14. DISTRIBUTION

ADDRESSEE	b. COPIES Draft	Final REQ	Final REPRO
ONR 254	LT	DD	
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

16. REMARKS
BLK 12: The first submission of the report shall be a draft of the Technical Report. Government comments on the draft report will be returned to the Contractor 14 days prior to the required submission of the Final Technical Report (see BLK 13)
BLK 13: The second submission of the Technical Report shall be a final version that incorporates comments from the Government review of the draft report.

Technical Report shall compile all of the design criteria, assumptions, calculations performed, issues and resolutions addressed during performance of the contract. All calculations shall be presented in a clear and logical order. The calculation sheets shall be fully annotated in such a manner that government design quality assurance engineers can independently review the assumptions, method and calculations. Each calculation sheet shall include: project title, task title, date, engineer's name, and page number. With each submittal, calculations covering the work performed shall be included. The contractor shall also deliver electronic data file(s) of any simulation model calculations or results.

The first page shall indicate:

- the title,
- the contractor's name and address,
- the contract number and CDRL number,
- the date of the report, and the period covered by the report.

All copes of this Contract Deliverable shall be provided in electronic format. Electronic copies of reports shall be submitted in one of the following formats: (a) Portable Document Format (.pdf), or (b) Microsoft word, 2000. All embedded figures and tables in these reports must be compatible with MS-Windows95. All electronic files shall be delivered preferably on a medium compatible with a 100 MB Iomega(R) zip (TM) drive or CD ROM. Electronic copies of small items (less than 1 Megabyte), may be deliverable by E-mail or on 3.5" floppy discs, as mutually agreed to by the Contractor and the Government.

G. PREPARED BY: R. L. Brackett | H. DATE: 28 Nov. 2001 | L. APPROVED BY: P. Furman | J. DATE: 28 Nov. 2001

CONTRACT DATA REQUIREMENTS LIST

Form Approved
OMB No. 0704-0188

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A. CONTRACT LINE ITEM NO. N00014-02-C-0053 | B. EXHIBIT A | C. CATEGORY: TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM: Ocean Power Technology Program | E. CONTRACT/PR NO. | F. CONTRACTOR: Ocean Power Technologies, Inc.

1. DATA ITEM NO. A008 | 2. TITLE OF DATA ITEM: Technical Report | 3. SUBTITLE: Ocean Test Requirements

4. AUTHORITY (Data Acquisition Document No.) | 5. CONTRACT REFERENCE: SOW Task 2 | 6. REQUIRING OFFICE: ONR 334

7. DD 250 REQ: DD | 9. DIST STATEMENT: REQUIRED | 10. FREQUENCY: ONE/R | 12. DATE OF FIRST SUBMISSION: 125 DAC - See BLK 16 | 14. DISTRIBUTION

8. APP CODE | 11. AS OF DATE | 13. DATE OF SUBSEQUENT SUBMISSION: 139 DAC - See BLK 16

ADDRESSEE	b. COPIES Draft	Final REQ	Final REPRO
ONR 254	LT	DD	
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

16. REMARKS
BLK 12: The first submission of the report shall be a draft of the Technical Report. Government comments on the draft report will be returned to the Contractor 7 days prior to the required submission of the Final Technical Report (See BLK 13)
BLK 13: The second submission of the Technical Report shall be a final version that incorporates comments from the Government review of the draft report.

Technical Report shall compile all of the design criteria, assumptions, calculations performed, issues and resolutions addressed during performance of the contract. All calculations shall be presented in a clear and logical order. The calculation sheets shall be fully annotated in such a manner that government design quality assurance engineers can independently review the assumptions, method and calculations. Each calculation sheet shall include: project title, task title, date, engineer's name, and page number. With each submittal, calculations covering the work performed shall be included. The contractor shall also deliver electronic data file(s) of any simulation model calculations or results.

The first page shall indicate:
- the title,
- the contractor's name and address,
- the contract number and CDRL number,
- the date of the report, and the period covered by the report.

All copes of this Contract Deliverable shall be provided in electronic format. Electronic copies of reports shall be submitted in one of the following formats: (a) Portable Document Format (.pdf), or (b) Microsoft word, 2000. All embedded figures and tables in these reports must be compatible with MS-Windows95. All electronic files shall be delivered preferably on a medium compatible with a 100 MB Iomega(R) zip (TM) drive or CD ROM. Electronic copies of small items (less than 1 Megabyte), may be deliverable by E-mail or on 3.5" floppy discs, as mutually agreed to by the Contractor and the Government.

G. PREPARED BY: R. L. Brackett | H. DATE: 28 Nov. 2001 | L. APPROVED BY: P. Furman | J. DATE: 28 Nov. 2001

CONTRACT DATA REQUIREMENTS LIST

Form Approved
OMB No. 0704-0188

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A. CONTRACT LINE ITEM NO. N00014-02-C-0053
B. EXHIBIT A
C. CATEGORY: TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM Ocean Power Technology Program
E. CONTRACT/PR NO.
F. CONTRACTOR Ocean Power Technologies, Inc.

1. DATA ITEM NO. A009
2. TITLE OF DATA ITEM Technical Report
3. SUBTITLE Design Requirements Report

4. AUTHORITY (Data Acquisition Document No.)
5. CONTRACT REFERENCE SOW Task 2.7
6. REQUIRING OFFICE ONR 334

7. DD 250 REQ DD
9. DIST STATEMENT REQUIRED
10. FREQUENCY ONE/R
12. DATE OF FIRST SUBMISSION 125 DAC - See BLK 16
14. DISTRIBUTION

8. APP CODE
11. AS OF DATE
13. DATE OF SUBSEQUENT SUBMISSION 139 DAC - See BLK 16

a. ADDRESSEE	b. COPIES Draft	Final REQ	Final REPRO
ONR 254	LT	DD	
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

16. REMARKS
BLK 12: The first submission of the report shall be a draft of the Technical Report. Government comments on the draft report will be returned to the Contractor 7 days prior to the required submission of the Final Technical Report (see BLK 13)
BLK 13: The second submission of the Technical Report shall be a final version that incorporates comments from the Government review of the draft report.

Technical Report shall compile all of the design criteria, assumptions, calculations performed, issues and resolutions addressed during performance of the contract. All calculations shall be presented in a clear and logical order. The calculation sheets shall be fully annotated in such a manner that government design quality assurance engineers can independently review the assumptions, method and calculations. Each calculation sheet shall include: project title, task title, date, engineer's name, and page number. With each submittal, calculations covering the work performed shall be included. The contractor shall also deliver electronic data file(s) of any simulation model calculations or results.

The first page shall indicate:

- the title,
- the contractor's name and address,
- the contract number and CDRL number,
- the date of the report, and the period covered by the report.

All copes of this Contract Deliverable shall be provided in electronic format. Electronic copies of reports shall be submitted in one of the following formats: (a) Portable Document Format (.pdf), or (b) Microsoft word, 2000. All embedded figures and tables in these reports must be compatible with MS-Windows95. All electronic files shall be delivered preferably on a medium compatible with a 100 MB Iomega(R) zip (TM) drive or CD ROM. Electronic copies of small items (less than 1 Megabyte), may be deliverable by E-mail or on 3.5" floppy discs, as mutually agreed to by the Contractor and the Government.

G. PREPARED BY R. L. Brackett
H. DATE 28 Nov. 2001
L. APPROVED BY P. Furman
J. DATE 28 Nov. 2001

CONTRACT DATA REQUIREMENTS LIST

Form Approved
OMB No. 0704-0188

A. CONTRACT LINE ITEM NO. N00014-02-C-0053 | B. EXHIBIT A | C. CATEGORY: TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM: Ocean Power Technology Program | E. CONTRACT/PR NO. | F. CONTRACTOR: Ocean Power Technologies, Inc.

1. DATA ITEM NO.: A010 | 2. TITLE OF DATA ITEM: Technical Report | 3. SUBTITLE: Wave Tank Tests

4. AUTHORITY (Data Acquisition Document No.) | 5. CONTRACT REFERENCE: SOW Task 2.5 | 6. REQUIRING OFFICE: ONR 334

7. DD 250 REQ: DD | 9. DIST STATEMENT: REQUIRED | 10. FREQUENCY: ONE/R | 12. DATE OF FIRST SUBMISSION: 111 DAC - See BLK 16 | 14. DISTRIBUTION

8. APP CODE | 11. AS OF DATE | 13. DATE OF SUBSEQUENT SUBMISSION: 153 DAC - See BLK 16

ADDRESSEE	Draft	Final REQ	Final REPRO
ONR 254	LT	DD	
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

16. REMARKS

BLK 12: The first submission of the report shall be a draft of the Technical Report. Government comments on the draft report will be returned to the Contractor 14 days prior to the required submission of the Final Technical Report (see BLK 13)

BLK 13: The second submission of the Technical Report shall be a final version that incorporates comments from the Government review of the draft report.

Technical Report shall compile all of the design criteria, assumptions, calculations performed, issues and resolutions addressed during performance of the contract. All calculations shall be presented in a clear and logical order. The calculation sheets shall be fully annotated in such a manner that government design quality assurance engineers can independently review the assumptions, method and calculations. Each calculation sheet shall include: project title, task title, date, engineer's name, and page number. With each submittal, calculations covering the work performed shall be included. The contractor shall also deliver electronic data file(s) of any simulation model calculations or results.

The first page shall indicate:

- the title,
- the contractor's name and address,
- the contract number and CDRL number,
- the date of the report, and the period covered by the report.

All copes of this Contract Deliverable shall be provided in electronic format. Electronic copies of reports shall be submitted in one of the following formats: (a) Portable Document Format (.pdf), or (b) Microsoft word, 2000. All embedded figures and tables in these reports must be compatible with MS-Windows95. All electronic files shall be delivered preferably on a medium compatible with a 100 MB Iomega(R) zip (TM) drive or CD ROM. Electronic copies of small items (less than 1 Megabyte), may be deliverable by E-mail or on 3.5" floppy discs, as mutually agreed to by the Contractor and the Government.

G. PREPARED BY: R. L. Brackett | H. DATE: 28 Nov. 2001 | L. APPROVED BY: P. Furman | J. DATE: 28 Nov. 2001

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OMB No. 0704-0188

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A. CONTRACT LINE ITEM NO. N00014-02-C-0053
B. EXHIBIT A
C. CATEGORY: TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM Ocean Power Technology Program
E. CONTRACT/PR NO.)
F. CONTRACTOR Ocean Power Technologies, Inc.

1. DATA ITEM NO. A011
2. TITLE OF DATA ITEM Design Drawings
3. SUBTITLE Multi-Buoy Wave Energy Converter Design

4. AUTHORITY (Data Acquisition Document No.)
5. CONTRACT REFERENCE SOW Task 2.9 & 2.10
6. REQUIRING OFFICE ONR 334

7. DD 250 REQ DD
9. DIST STATEMENT REQUIRED
10. FREQUENCY ONE/R
12. DATE OF FIRST SUBMISSION 214 DAC - See BLK 16
14. DISTRIBUTION

8. APP CODE
11. AS OF DATE
13. DATE OF SUBSEQUENT SUBMISSION 241 DAC - See BLK 16

		b. COPIES	
		Final	
ADDRESSEE	Draft	REQ	REPRO
ONR 254	LT	DD	
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

16. REMARKS

BLK 12: The first submission of the Design Drawings shall be a draft of the drawings. Government comments on the draft drawings will be returned to the Contractor 14 days prior to the required submission of the Final Design Drawings (see BLK 13)

BLK 13: The second submission of the Design Drawings shall be a final version that incorporates comments from the Government review of the draft report.

Final Drawings shall be prepared in sufficient detail and presented in such a form that they could be used by an independent reviewer to support the conclusions and assessment of feasibility presented in the Final Design Report. Drawings and specifications shall be coordinated. The terminology used in specifications and drawings shall be identical. All drawing shall be delivered in electronic form and shall be compatible with either .dxf or .pdf file formats. Electronic files shall be delivered on a medium compatible with a 100 MB Iomega(R) zip (TM) drive or CD ROM. The electronic drawing files shall be scaled such that when printed they produce size F, 28 x 40 inch full size design drawings.

G. PREPARED BY R. L. Brackett
H. DATE 28 Nov. 2001
L. APPROVED BY P. Furman
J. DATE 28 Nov. 2001

CONTRACT DATA REQUIREMENTS LIST

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A. CONTRACT LINE ITEM NO. N00014-02-C-0053 | B. EXHIBIT A | C. CATEGORY: TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM Ocean Power Technology Program | E. CONTRACT/PR NO. | F. CONTRACTOR Ocean Power Technologies, Inc.

1. DATA ITEM NO. A012 | 2. TITLE OF DATA ITEM Technical Report | 3. SUBTITLE Installation and Test Plan

4. AUTHORITY (Data Acquisition Document No.) | 5. CONTRACT REFERENCE SOW Task 3.22.5 | 6. REQUIRING OFFICE ONR 334

7. DD 250 REQ DD | 9. DIST STATEMENT REQUIRED | 10. FREQUENCY ONE/R | 12. DATE OF FIRST SUBMISSION 214 DAC - See BLK 16 | 14. DISTRIBUTION

8. APP CODE | 11. AS OF DATE | 13. DATE OF SUBSEQUENT SUBMISSION 326 DAC - See BLK 16

ADDRESSEE	b. COPIES Draft	Final REQ	Final REPRO
ONR 254		LT	DD
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

16. REMARKS
BLK 12: The first submission of the report shall be a draft of the Technical Report. Government comments on the draft report will be returned to the Contractor 14 days prior to the required submission of the Final Technical Report (see BLK 13)
BLK 13: The second submission of the Technical Report shall be a final version that incorporates comments from the Government review of the draft report.

Technical Report shall compile all of the design criteria, assumptions, calculations performed, issues and resolutions addressed during performance of the contract. All calculations shall be presented in a clear and logical order. The calculation sheets shall be fully annotated in such a manner that government design quality assurance engineers can independently review the assumptions, method and calculations. Each calculation sheet shall include: project title, task title, date, engineer's name, and page number. With each submittal, calculations covering the work performed shall be included. The contractor shall also deliver electronic data file(s) of any simulation model calculations or results.

The first page shall indicate:

- the title,
- the contractor's name and address,
- the contract number and CDRL number,
- the date of the report, and the period covered by the report.

All copes of this Contract Deliverable shall be provided in electronic format. Electronic copies of reports shall be submitted in one of the following formats: (a) Portable Document Format (.pdf), or (b) Microsoft word, 2000. All embedded figures and tables in these reports must be compatible with MS-Windows95. All electronic files shall be delivered preferably on a medium compatible with a 100 MB Iomega(R) zip (TM) drive or CD ROM. Electronic copies of small items (less than 1 Megabyte), may be deliverable by E-mail or on 3.5" floppy discs, as mutually agreed to by the Contractor and the Government.

G. PREPARED BY R. L. Brackett | H. DATE 28 Nov. 2001 | L. APPROVED BY P. Furman | J. DATE 28 Nov. 2001

CONTRACT DATA REQUIREMENTS LIST	Form Approved OMB No. 0704-0188

Public reporting burden for this collection of information is estimated to average 440 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection or information, including suggestions for reducing the burden, to Washington Headquarters Services Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget Paperwork Reduction Project (0704-0188), Washington, DC 20503.

A. CONTRACT LINE ITEM NO.	B. EXHIBIT	C. CATEGORY:
N00014-02-C-0053	A	TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM	E. CONTRACT/PR NO.	F. CONTRACTOR
Ocean Power Technology Program		Ocean Power Technologies, Inc.

1. DATA ITEM NO.	2. TITLE OF DATA ITEM	3. SUBTITLE
A013	Technical Report	Multi-Buoy In-Ocean Physical Test

4. AUTHORITY (Data Acquisition Document No.)	5. CONTRACT REFERENCE	6. REQUIRING OFFICE
	SOW Task 4	ONR 334

7. DD 250 REQ	9. DIST STATEMENT	10. FREQUENCY	12. DATE OF FIRST SUBMISSION
DD	REQUIRED	3TIME	573 DAC - See BLK 16
8. APP CODE		11. AS OF DATE	13. DATE OF SUBSEQUENT SUBMISSION
			624 DAC - See BLK 16

14. DISTRIBUTION

ADDRESSEE	b. COPIES Draft	Final REQ	Final REPRO
ONR 254	LT	DD	
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

16. REMARKS

BLK 12: The first submission of the report shall be a draft of the Technical Report. Government comments on the draft report will be returned to the Contractor 14 days prior to the required submission of the Final Technical Report (see BLK 13)

BLK 13: The second submission of the Technical Report shall be a final version that incorporates comments from the Government review of the draft report.

Technical Report shall compile all of the design criteria, assumptions, calculations performed, issues and resolutions addressed during performance of the contract. All calculations shall be presented in a clear and logical order. The calculation sheets shall be fully annotated in such a manner that government design quality assurance engineers can independently review the assumptions, method and calculations. Each calculation sheet shall include: project title, task title, date, engineer's name, and page number. With each submittal, calculations covering the work performed shall be included. The contractor shall also deliver electronic data file(s) of any simulation model calculations or results.

The first page shall indicate:

- the title,
- the contractor's name and address,
- the contract number and CDRL number,
- the date of the report, and the period covered by the report.

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G. PREPARED BY	H. DATE	L. APPROVED BY	J. DATE
R. L. Brackett	28 Nov. 2001	P. Furman	28 Nov. 2001

STATEMENT OF WORK

TASK DESCRIPTIONS

TASK GROUP 1.0: OCEAN TEST SITE PLANNING AND PREPARATION

TASK 1.1: OPT CONTRACT AWARD (MILESTONE)

TASK 1.2: OPT KICK-OFF AND PHEPS UPDATE (MEETING)

The project team will conduct a kick-off meeting to review the OPT program plan and any information pertinent to the [**] test. Important inputs and factors learned thus far on the PHEPS effort will be reviewed to determine their relevance to the OPT effort.

TASK GROUP 2.0 MEDELING SYSTEM DESIGN

Key mathematical models in three design areas will be developed during the design phase: Hydrodynamic, Operational Availability, and Multiple Buoy Power Combination. The upgrade of OPT's existing Hydrodynamic model was performed on the PHEPS contract; however, subsequent wave tank testing and further model validation and simulation will occur during the OPT system design phase. The models will be developed around OPT's baseline WEC design, using actual data retrieved from past and present buoy testing for validation. Inputs to the model will consist of agreed upon met-ocean parameters such as wave climate and baseline WEC configuration.

TASK 2.1: RETRIEVE DATA FROM WEC OPERATIONS

OPT will assemble pertinent data from past wave tank and ocean experiments and make available to modeling teams.

TASK 2.2: CREATE AO MODEL

With the assistance of NFESC technical personnel, OPT will select an outside contractor to develop a basic and reasonable Ao model of the WEC system. NFESC's experience with the MPAT Model will be reviewed for applicability to this program. OPT will provide information to the contractor about the baseline WEC design and the input met-ocean conditions. The contractor will develop and code a model that will estimate system availability, and also identify key risk areas. Due to NFESC's experience in this modeling, NFESC will provide consultation in guiding model development. The model will be reviewed with OPT and NFESC for quality and system completeness.

TASK 2.3: CREATE MULTI-BUOY POWER COMBINATION MODEL

Using various simulation and software packages, such as Simulink or Sabe, OPT will model a multi-unit WEC system to determine the most efficient method of combining power from two separate WEC units. Work will focus on hydraulic and electrical subsystem configuration to find an optimal arrangement. The model will yield a block diagram (with identified equipment) with major equipment parameters from which a system can be designed. Code will be primarily developed in-house with sub-contractors providing recommended practical system configurations in hydraulics and electrical power conversion for basis of the modeling. Varying input data on buoy motion will be input into the models for a preliminary validation, checking for reasonability.

TASK 2.4: MODELS REVIEW

Members of the project team involved with the modeling efforts (NFESC, OPT and contractors/consultants) will review the models and assumptions for accuracy, relevance, quality and completeness versus their intended design.

TASK 2.5: WAVE TANK TESTING

Wave tank testing will encompass a small-scale buoy and mooring design based on the baseline design OPT, consultants, and NFESC technical personnel will identify the necessary parameters and expected results from a wave tank test. The purpose of the test is to provide validation of the hydrodynamic model and Ao model. A wave tank test plan will be devised. A scale model of the proposed WEC system design will be fabricated. The model will be appropriately sized and instrumented to yield useful results. Data will be collected, results tabulated and analyzed. The test can occur at the University of Delaware, US Naval Academy, NSWC Carderock, or other suitable facility, depending upon scaling needs and tank capabilities.

TASK 2.6: MODEL VALIDATION AND SIMULATIONS

TASK 2.6.1: HYDRODYNAMIC MODEL

Wave tank test data will be used to update and validate the model. Then full-scale simulations using input met-ocean data will be conducted to determine system response and loads on the structure.

TASK 2.6.2: AO MODEL

Pertinent wave tank test data will be used to validate the model. Then full-scale simulations using input met-ocean data will be conducted to evaluate the preliminary system design.

TASK 2.7: IDENTIFY RISKS AND SYSTEM DESIGN REQUIREMENTS

Results from the hydrodynamic and Ao simulations, and multi-buoy studies, site-specific data, and test requirements will be documented. This step is important in defining the detailed requirements that hardware and systems must be designed to. This document will lead up to a review of the design requirements and test system expectations. A general system specification requirements document will be prepared. Risks and System Design Requirements previously documented for the PHEPS project will be amended.

TASK 2.8: IDENTIFY OCEAN TEST REQUIREMENTS

OPT will solicit from members of the project team opinions and recommendations as to desired and necessary types of data associated with the full-scale system test. Data that will help support Ao and hydrodynamic analyses are important. Based on these inputs, OPT's engineering staff will amend the system test requirements document, previously prepared on the PHEPS project, circulate it to the project team and solicit further inputs and recommendations. The amended document will identify what is to be tested, how it is to be tested, who will mange the data, and the sampling rate. The team will identify how the data will be analyzed. The document will state the success criteria for the test.

TASK 2.9: DESIGN

TASK 2.9.1: DESIGN REQUIREMENTS REVIEW

The project team will conduct a review of the design requirements developed under the PHEPS contract that will incorporate changes suggested by the Operational Availability analysis, wave tank tests and hydrodynamic analysis and address the system design with regard to the site to include system design requirements, ocean test requirements and issues relating to the deployment site such as environmental, cable, shore-based facilities, buoy and anchor/mooring installation and removal implications.

TASK 2.9.2: BUOY DESIGN

OPT engineering staff and contractors will modify the existing buoy design to meet the design requirements. These changes will be done using CAD packages such as ProE, Solidworks or Autocad. FEA's will be conducted on critical structural members under high loads.

TASK 2.93: ANCHOR/MOORING DESIGN

An experienced contractor (such as Makai Ocean Engineering) will design an anchoring and mooring system that meets the holding power and damping requirements for the buoy based on the local oceanographic conditions, Ao model inputs and the force calculations from the hydrodynamic modeling.

TASK 2.9.4: ELECTRICAL AND HYDRAULIC SUBSYSTEMS DESIGN

A contractor experienced in ocean cable systems (such as Makai Ocean Engineering) plus OPT's electrical engineering staff will specify electrical transmission cable and mode. The remainder of the electrical and hydraulic subsystems will be designed by OPT and its contractors in accordance with the Design Requirements for a [**].

TASK 2.9.5: SENSORS, DATA ACQUISITION AND CONTROL DESIGN

Under the PHEPS contract, the work content in the area of sensors and data acquisition design focused on accommodating enhanced data and instrumentation requirements to support needs for comprehensive test data. In this task, the work will utilize the enhanced sensor and data capability already developed but will focus on the control algorithm and user interface for sea-based and shore-based equipment for a [**].

TASK 2.9.6: DESIGN REVIEW

The project team including NFESC, OPT, ONR, design consultants, and fabrication contractors as required, will review the system design. Additional wave tank testing will be performed, if necessary under Program Option 1, for additional validation.

TASK 2.10: DESIGN- MODIFICATIONS

Based on the results of the Preliminary Design Review, the system design may need to be modified. A final system design will be compiled, and then assessed relative to the wave tank test results and context of the Ao, Hydrodynamic models and matched against the System Design Requirements to check on design conformity to the requirements.

TASK GROUP 3.0: OCEAN TEST PREPARATION

TASK 3.1: SYSTEM PROCUREMENT AND FABRICATION

This task will include the conversion of the WEC system design to detailed fabrication drawings, the selection of suppliers, and the activities involved in procurement, fabrication and supplier and QA management. It is important that long-lead time items be identified and ordered early on in the project so they may follow a staged deployment within the plan to allow the final installation timing goals to be met.

TASK 3.2: INSTALLATION AND TEST PLANS

Detailed installation and test plans, previously developed for the PHEPS contract, will be amended by OPT to include the additional installation and test requirements necessary to support the two-buoy system. These plans will be circulated to the project team for feedback, leading up to a review of such plans.

TASK 3.3: INSTALLATION AND TEST PLANS REVIEW

The project team will review the installation and test plan. Involved site and contractor personnel or their representatives will be involved in the review.

TASK 3.4 SITE PREPARATIONS

Any required permits or coordinating with local facilities will have been obtained by the government under an earlier task. Local Navy personnel previously worked with OPT's electrical engineering and project staff to specify on shore electrical interface and equipment facilities requirements. The land based electrical and communications equipment facility will be either constructed or arranged for within existing infrastructure. Any remaining final diving surveys to map cable routes and anchor site and hydrographic surveys will be conducted. OPT will be responsible for this effort, working through contractors, or seeking US Navy/NFESC diving resources and other resources if cost effective and available. This proposal assumes that OPT's contractor will perform these tasks.

TASK 3.5 PRE-INSTALLATION REVIEW

Prior to system installation, a final review of the installation plan will be held with the project team.

TASK 3.8: SYSTEM INSTALLATION (1 BUOY AND ELECTRICAL HOOK-UP)

The installation of the [**] will be carried out in accordance with the installation and test plans. The organizational structure for the installation activity will be established with clear lines of communication protocol and decision making authority. An experienced contractor (such as Sea Engineering, Inc. and Makai Ocean Engineering and their subcontractors) will carry out the installation of the cable, anchors/mooring, buoy, and additional infrastructure necessary to support the [**]. The installation may be carried out in separate phases due to its relative sensitivity to weather. The land-based equipment previously specified and documented in the cost proposal will be installed in the equipment facility. Based on local infrastructure, resource scheduling, weather and logistical issues, the installation schedule must remain somewhat flexible.

TASK GROUP 4.0: OCEAN TEST

TASK 4.1: MONITORING, DATA COLLECTION AND ANALYSIS

Data from the WEC system operation will be collected and entered into the operational database. Data will be collected in several different ways. Some parameters will be monitored electronically from sensors through a data acquisition system. Other parameters may be monitored by direct human interaction, such as daily observations of an electric meter or counter at a land-based facility. Other parameters may require divers to make routine visual inspections of the buoy and anchor components to check for corrosion, marine growth, and wear. Data from other sensing devices such as independent wave characteristic monitoring devices (wave rider buoys, acoustic Doppler units, etc.) must be collected and integrated. Analysis of the data collected will identify trends, anomalies and key operational points. Some of this analysis will be conducted by statistical and event mapping of data from spreadsheet or other database format. The data will be presented in a time-based format to allow correlation with varying events with system responses. Data will be analyzed by OPT personnel with assistance from contractors and NFESC personnel as required.

TASK 4.2: MID-TEST REVIEW

Members of the project team will review the results of the ocean test mid-way through the test period. Recommendations for changes in the test plan can be made at that time.

TASK 4.3: MODEL UPDATE AND DESIGN VALIDATION

On-going actual data collected will be "fed" back into the key models for purposes of model validation. Variations in actual results vs. model predictions will be studied. Models will be updated once resolutions to the variances have been solved or researched.

TASK 4.4: CONCLUSIONS AND RECOMMENDATIONS

Comparison of the models to actual performance will be made to form the results. Conclusions and recommendations can them be formulated.

TASK 4.5: FINAL REVIEW

All project team members will met to present the key findings from the tests and review the conclusions and recommendations.

TASK GROUP 5.0: PROGRAM MANAGEMENT

PROGRAM PLANNING AND TRACKING - The OPT Program Manager will be responsible for resource assignment, task direction and schedule management. OPT will notify the government when the project reaches 75% completion in terms of cost.

PROGRAM MEETINGS - Program meetings will be established to coincide with key technical milestones.

PROGRESS REPORTS - OPT will prepare and distribute the minutes from Review Meetings, Monthly Progress Reports, and Major Technical Reports in accordance with the Contract Data Requirements List (CDRL) Items.

TASK GROUP 6.0: PROGRAM OPTIONS:

TASK 6.1 WAVE TANK TEST AND MODEL VALIDATION - OPTION 1

TASK 6.1.1 WAVE TANK TESTS (SECOND PASS)

Second pass wave tank testing will encompass a small-scale buoy and mooring design based on the preliminary design. OPT, consultants, and NFESC technical personnel will identify the necessary parameters and expected results from a wave tank test. The purpose of the test is to provide validation of the hydrodynamic model. A wave tank test plan will be devised. A scale model of the proposed WEC system design will be fabricated. The model will be appropriately sized to yield useful results.

TASK 6.1.2: VALIDATE NUMERICAL MODELS

Based on the results of the wave tank studies, the data will be input back into the hydrodynamic and Ao models for validation.

TASK 6.2: ON-GOING OCEAN TEST - CONTINUE TO MONITOR [**] - OPTION 2

The WEC system deployed in the ocean [**] project [**] will continue to be to be monitored. Data will be retrieved and entered into the operational availability database.

Data will be gathered from electronic monitoring of sensors as well as routine visual observations and inspections of the unit.

TASK 6.3: SYSTEM REMOVAL - OPTION 3

This option will allow for removal [**], canister, wave data buoy, sub sea cable, land-based cable, and shore-based electronics. [**].

FINANCIAL ACCOUNTING DATA SHEET - NAVY

1. CONTRACT NUMBER (CRITICAL)	2. SPIIN (CRITICAL)	3. MOD (CRITICAL)	4. PR NUMBER	PAGE 1OF 1
N0001405C0384			05PR09436-00	

6. LINE OF ACCOUNTING

CLIN/SLIN	A. ACRN (Critical)	B. APPROPRIATION (CRITICAL)	C. SUBHEAD (CRITICAL)	D. OBJ CLA	E. PARM	F. RFM	G. SA	H. AAA (CRITICAL)	I. IT	J. PAA	K. COST CODE PROJ UNIT	MCC	PDLI & SUF	7. AMOUNT (CRITICAL)	NAVY INTERNAL USE ONLY REF DOC/ACRN
	AA	1711319	W3FA	255	RA	333	0	068342	2D	000000	02839	000	4KT0	$2,400,000.00	PR#02PR02408-00 FRC: 34KT

PAGE TOTAL $2,400,000.00

GRAND TOTAL $2,400,000.00

PREPARED/AUTHORIZED BY:

COMPTROLLER APPROVAL:
FOR FISCAL DATA AND SIGNATURE

BY ________________ for COMPTROLLER, ONR CONTRACT REVIEWED

DATE:

DATE:

ONR AWARD FORM (2/00) - version 1.1

(SEAL)

DEPARTMENT OF THE NAVY
OFFICE OF NAVAL RESEARCH
800 NORTH QUINCY STREET
ARLINGTON, VA 22217-5660

IN REPLY REFER TO
15 April 2002

OCEAN POWER TECHNOLOGIES, INC.
Attn: Ms. Debbie Montagna
1590 Reed Road
Pennington, NJ 08534

Dear GSA Supplier:

Office of Naval Research (ONR) has awarded a contract to the contractor referenced above. Ocean Power Technologies (OPT) is currently conducting research for the ONR under contract N00014-01-C-0368 through 15 March 2003 and N00014-01 -C-0053 through 10 May 2004.

Please allow OPT to purchase under the GSA schedule to obtain pricing as if ONR was purchasing the item. The materials purchased are for ONR under the contracts referenced above.

The Office of Naval Research appreciates your cooperation for this acquisition. For further information, please contact Cheryl De Lisle at 703-696-2571.

Sincerely,

/s/ Todd Hanson

Todd Hanson
Contracting Officer

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

CONTRACT ID CODE D0-C9(U)

2. AMENDMENT/MODIFICATION NO.	3. EFFECTIVE DATE	4. REQUISITION/PURCHASE REG. NO.	5. PROJECT NO. (If applicable)
P00001	SEE BLOCK 16C	02PR02408-01	N.A.

6. ISSUED BY CODE N00014

OFFICE OF NAVAL RESEARCH
ONR 254 Cheryl De Lisle (703)696-2571 E-mail
cheryl_delisle@onr.navy.mil
BALLSTON CENTRE TOWER ONE
800 NORTH QUINCY STREET
ARLINGTON, VA 22217-5660

7. ADMINISTERED BY (If other than Item 6) CODE S3915A
SCD-C

DCM PHILADELPHIA
PO BOX 11427
700 ROBBINS AVE., BLDG 4A
PHILADELPHIA, PA 19111-0427

8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and Zip Code)

OCEAN POWER TECHNOLOGIES INC.
1590 REED ROAD
PENNINGTON, NJ 08534

CODE 04EP7 FACILITY CODE

(3) 9A. AMENDMENT OF SOLICITATION NO.
N.A.

[ ] 9B. DATED (SEE ITEM 11)

[X] 10A. MODIFICATION OF CONTRACT/ORDER NO
N00014-02-C-0053

10B. DATED (SEE ITEM 13)
11-FEB-02

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[ ] The above numbered solicitation is amended as set forth in Item 14. The hour and data specified for receipt of Offers [ ] is extended [ ] is not extended.

Offers must acknowledge receipt of this amendment prior to the hour and data specified in the solicitation or as amended, by on of the following methods:
(a) By completing items 8 and 15, and returning ____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and data specified.

12. ACCOUNTING AND APPROPRIATION DATA (if required)
SEE THAT ATTACHED FINANCIAL ACCOUNTING DATA (FAD) SHEET(S)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRTACTS/ORDERS,
IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

(3) [ ] A. THIS CHANGE ORDER IS ISSUED PURSUANT TO (Specify Authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

[ ] B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation data, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).

[ ] C. SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:
AUTHORITY FOR OTHER THAN FULL AND OPEN COMPETITION:

[X] D. OTHER (Specify type of modification and authority)
MUTUAL AGREEMENT OF BOTH PARTIES AND KTR PROPOSAL DATED 1 JULY 2002

E. IMPORTANT: Contractor [ ] is not, [X] is required to sign this document and return ____ copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

The purpose of this modification is to exercise and expand the effort under Option 3 (CLIN 0005) of contract N00014-02-C-0053, add the Allotment of Funds clause, incorporate the latest terms and conditions, and incrementally fund Option 3.

Except as provided herein, all terms and conditions of the document referenced in item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)
Charles F. Dunleavy
Chief Financial Officer

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)
Lee Ann Boyer
Contracting Officer

15B. CONTRACTOR/OFFEROR	15C. DATE SIGNED	16B. UNITED STATES OF AMERICA	16C. DATE SIGNED
/s/ Charles F. Dunleavy	3 Sept. 2002	BY /s/ Lee Ann Boyer	9/9/02
(Signature of person authorized to sign)		(Signature of Contracting Officer)	

NSN 7540-01-152-8070
PREVIOUS EDITION UNUSABLE
NAVONR OVERPRINT (3-88)

30-105

STANDARD FORM 30 (Rev. 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

This modification results in the expansion of Option 3 of Section B as stated below:

1. Option 3 of Section B - Supplies or Services and Prices/Costs is hereby exercised and expanded as follows

ITEM NO.	SUPPLIES/SERVICES	ESTIMATED COST	FIXED FEE	TOTAL ESTIMATED COST & FIXED FEE
0001	The Contractor shall furnish the necessary personnel and facilities to conduct the research effort as described in Section C.	$ [**]	$ [**]	$2,399,893.00
0002	Reports and Data in accordance with Exhibit A (DD Form 1423)			NSP
0003	Option 1, Wave Tank Test 2; Validate Numerical Models	$ 99,850	5,991	$ 105,841.00
0004	Option 2, On-Going Ocean Test-Continue Monitoring	$107,979	6,479	$ 114,458.00
0005	Option 3, Complete System Removal as stated in section C.	$259,984	15,599	$ 275,583.00

SECTION C - DESCRIPTION/SPECIFICATIONS/WORK STATEMENT

1. The Contractor shall conduct research in accordance with the original contract with the exception of Option 3 revised as stated below:

OPTION 3: WES System Removal

This option will allow for removal of [**] and the associated system components including the canister, wave date device, Sub Sea, and land-based cables, and shore-based electronics. At the end of the test period, a suitable subcontractor such as Sea Engineering Inc. will remove [**] from the water and move them to a temporary government storage location. Storage costs, if applicable will be at the Government's expense. From this storage point, at the Government's discretion, the equipment can either be made available for use at some other Government test site, scrapped at the Government's expense or offered to Ocean Power Technologies, Inc. for its own use.

2. Add to SECTION G, the Allotment of Funds clause, paragraph 6 below, and increase the total amount of the contract by $[**] for the expansion to Option 3.

    6. ALLOTMENT OF FUNDS

    It is hereby understood and agreed that this contract will not exceed a total amount of $[**] including an estimated cost of $[**] and a fixed fee of $[**].

    CLIN 0001 is fully funded.

Contract Number: N00014-02-C-0053
Modification P00001

CLIN 0005 is incrementally funded in the amount of $[**] including an estimated cost of $[**] and a fixed fee of $[**]

3. In Section I, delete all the clauses and insert the following Section I clauses:

Introduction: Section I

Attention: Prime Contractors. If a subaward is made to an educational institution, Prime Contractors are directed to please refer to the ONR Model Award for appropriate flow-down clauses to universities. See http://www.onr.navy.mil. click Contracts & Grants Icon. Click Model Awards Link. Click Section I clauses that flow-down to University subcontractors.

SECTION I - CONTRACT CLAUSES

Cost-Plus-Fixed Fee (JUNE 2002) (1)

(A) FAR 52.252-02 CLAUSES INCORPORATED BY REFERENCE (FEB 1998)

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at these addresses:
http://www.arnet.gov/far/
http://web1.deskbook.osd.mil/htmlfiles/DBY_far.asp
http://web2.deskbook.osd.mil/htmlfiles/DBY_dfars.asp
http://farsite.hill.af.mil/farsite_script.html

For instance, a dollar threshold may trigger the applicability of the clause or a certain condition of the research may trigger the applicability of the clause. In order to provide some assistance, as to when a dollar threshold triggers a clause, we have associated certain symbols with dollar thresholds. The symbols and their appropriate dollar thresholds are as follows:

* Applies when contract action exceeds $10,000

** Applies when contract action exceeds $100,000

+ Applies when contract action exceeds $500,000

++ Applies when contract action exceeds $500,000 and subcontracting possibilities exist. Small Business Exempt.

x (DD 250)

xx Not applicable

I. FEDERAL ACQUISITION REGULATION (FAR) (48 CFR CHAPTER 1) CLAUSES:

**	FAR 52.202-1	Definitions (DEC 2001)
**	FAR 52.203-3	Gratuities (APR 1984)
**	FAR 52.203-5	Covenant Against Contingent Fees (APR 1984)
**	FAR 52.203-6	Restrictions on Subcontractor Sales to the Government (JUL 1995)
**	FAR 52.203-7	Anti-Kickback Procedures (JUL 1995)
**	FAR 52.203-8	Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity (JAN 1997)
**	FAR 52.203-10	Price or Fee Adjustment for Illegal or Improper Activity (JAN 1997)
**	FAR 52.203-12	Limitation on Payments to Influence Certain Federal Transactions (JUN 1997)
**	FAR 52.204-4	Printing/Copying Double-Sided on Recycled Paper (AUG 2000)
	FAR 52.211-15	Defense Priority and Allocation Requirements (SEP 1990)
**	FAR 52.215-2	Audit and Records - Negotiation (JUN 1999) and Alternate II (APR 1998) (Alternate II is only applicable with cost reimbursement contracts with State and local Governments, educational institutions, and other non-profit organizations.)
	FAR 52.215-8	Order of Precedence - Uniform Contract Format (OCT 1997)
+	FAR 52.215-10	Price Reduction for the Defective Cost or Pricing Data (OCT 1997) (The clause is applicable to subcontracts over $550,000.)
+	FAR 52.215-12	Subcontractor Cost or Pricing Data (OCT 1997) (Applicable to subcontracts over $550,000 only)
**	FAR 52.215-14	Integrity of Unit Prices (OCT 1997) and Alternate I (OCT 1997) (Alternate I is applicable if the action is contracted under Other Than Full and Open Competition)
+	FAR 52.215-15	Pension Adjustments and Asset Reversions (DEC 1998)
+	FAR 52.215-18	Reversion or Adjustment of Plans for Postretirement Benefits (PRB) Other than Pensions (OCT 1997)
+	FAR 52.215-19	Notification of Ownership Changes (OCT 1997) (Applicable when Cost or Pricing Data is required)
	FAR 52.216-7	Allowable Cost and Payment (FEB 2002)
	FAR 52.216-8	Fixed Fee (MAR 1997)
**	FAR 52.219-4	Notice of Price Evaluation Preference for HUBzone Small Business Concerns (JAN 1999)
**	FAR 52.219-8	Utilization of Small Business Concerns (OCT 2000)
++	FAR 52.219-9	Small Business Subcontracting Plan (JAN 2002)

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++	FAR 52.219-16	Liquidated Damages - Subcontracting Plan (JAN 1999)
	FAR 52.222-1	Notice to the Government of Labor Disputes (FEB 1997)
**	FAR 52.222-2	Payment for Overtime Premiums (JUL 1990) (Note: The word "zero" is inserted in the blank space indicated by an asterisk)
	FAR 52.222-3	Convict Labor (AUG 1996) (Reserved when FAR 52.222-20 Walsh Healy Public Contracts Act is applicable)
**	FAR 52.222-4	Contract Work Hours and Safety Standards Act -Overtime Compensation (SEP 2000)
	FAR 52.222-21	Prohibition of Segregated Facilities (FEB 1999)
	FAR 52.222-26	Equal Opportunity (APR 2002)
*	FAR 52.222-35	Equal Opportunity for Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans (DEC 2001 1998)
*	FAR 52.222-36	Affirmative Action for Workers with Disabilities (JUN 1998)
*	FAR 52.222-37	Employment Reports on Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans (DEC 2001)
**	FAR 52.223-14	Toxic Chemical Release Reporting (OCT 2000)
	FAR 52.225-13	Restrictions on Certain Foreign Purchases (JUL 2000)
**	FAR 52.227-1	Authorization and Consent (JUL 1995) and Alternate I (APR 1984)
**	FAR 52.227-2	Notice and Assistance Regarding Patent and Copyright Infringement (AUG 1996)
	FAR 52.228-7	Insurance Liability to Third Persons (MAR 1996) (Further to paragraph (a)(3), unless otherwise stated in this contract, types and limits of insurance required are as stated in FAR 28.307-2)
	FAR 52.232-9	Limitation on Withholding of Payments (APR 1984)
**	FAR 52.232-17	Interest (JUN 1996)
	FAR 52.232-23	Assignment of Claims (JAN 1986) and Alternate I (APR 1984)
	FAR 52.232-25	Prompt Payment (FEB 2002) and Alternate I (FEB 2002) (The words "the 30th day" are inserted in lieu of "the 7th day" at (a)(5)(i). [When Alternate I is applicable (a)(5)(i) does do not apply] [ALTERNATE I APPLIES WHEN AWARDING A COST REIMBURSEMENT CONTRACT FOR SERVICES]
	FAR 52.232-33	Payment by Electronic Funds Transfer - Central Contractor Registration (MAY 1999)
	FAR 52.233-1	Disputes (JULY 2002)
	FAR 52.233-3	Protest After Award (AUG 1996) and Alternate I (JUN 1985)
	FAR 52.242-1	Notice of Intent to Disallow Costs (APR 1984)

+	FAR 52.242-3	Penalties for Unallowable Costs (MAY 2001)
	FAR 52.242-4	Certification of Final Indirect Costs (JAN 1997)
**	FAR 52.242-13	Bankruptcy (JUL 1995)
	FAR 52.242-15	Stop Work Order (AUG 1989) and Alternate I (APR 1984)
	FAR 52.244-2	Subcontracts (AUG 1998) and Alternate I (AUG 1998) [INSERT IN COST-REIMBURSEMENT CONTRACTS, AND LETTER, TIME-AND-MATERIAL, AND LABOR-HOUR CONTRACTS EXCEEDING SAP, AND FIXED PRICE CONTRACTS EXCEEDING SAP WHERE UNPRICED ACTIONS ARE ANTICIPATED. USE ALTERNATE I FOR COST-REMBNRSEMENT CONTRACTS]
**	FAR 52.244-5	Competition in Subcontracting (DEC 1996)
	FAR 52.244-6	Subcontracts for Commercial Items and Commercial Components (APR 2002)
	FAR 52.245-5	Government Property (Cost-Reimbursement, Time-and-Materials, or Labor-Hour Contracts) (JAN 1986) and ALT I (JUL 1985) (As modified by DoD Class Deviation 99-00008 dated 13 July 1999) (ALT I is applicable if the contractor is a nonprofit organization whose primary purpose is the conduct of scientific research)
**	FAR 52.247-64	Preference for Privately Owned U.S. Flag Commercial Vessels (JUN 2000)
	FAR 52.249-6	Termination (Cost-Reimbursement) (SEP 1996)
	FAR 52.249-14	Excusable Delays (APR 1984)
	FAR 52.251-1	Government Supply Sources (APR 1984)
	FAR 52.253-1	Computer Generated Forms (JAN 1991)

II. DEPARTMENT OF DEFENSE FAR SUPPLEMENTAL (DFARS) (48 CFR CHAPTER 2) CLAUSES:

**	DFARS 252.203-7001	Prohibition On Persons Convicted of Fraud or Other Defense-Contract-Related Felonies (MAR 1999)
	DFARS 252.204-7003	Control of Government Work Product (APR 1992)
	DFARS 252.204-7004	Required Central Contractor Registration (NOV 2001)
**	DFARS 252.209-7000	Acquisition from Subcontractors subject to On-Site Inspection under the Intennediate Range Nuclear Forces (INF) Treaty (NOV 1995)
**	DFARS 252.209-7004	Subcontracting with Firms That Are Owned or Controlled by the Government of a Terrorist Country (MAR 1998)
+	DFARS 252.215-7000	Pricing Adjustments (DEC 1991)
++	DFARS 252.219-7003	Small, Small Disadvantaged and Women-owned Small Business Subcontracting Plan (DoD Contracts) (APR

		1996)
**	DFARS 252.225-7012	Preference for Certain Domestic Commodities (APRIL 2002)
	DFARS 252.225-7031	Secondary Arab Boycott of Israel (JUN 1992)
XX	DFARS 252.227-7013	Rights in Technical Data - Noncommercial Items (NOV 1995), and Alternate I (JUN 1995)
XX	DFARS 252.227-7014	Rights In Noncommercial Computer Software and Noncommercial Computer Software Documentation (JUN 1995)
	DFARS 252.227-7016	Rights in Bid or Proposal Information (JUN 1995)
	DFARS 252.227-7019	Validation of Asserted Restrictions - Computer Software (JUN 1995)
	DFARS 252.227-7025	Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends (JUN 1995)
	DFARS 252.227-7028	Technical Data or Computer Software Previously Delivered to the Government (JUN 1995)
	DFARS 252.227-7030	Technical Data - Withholding of Payment (MAR 2000)
	DFARS 252.227-7036	Declaration of Technical Data Conformity (JAN 1997)
	DFARS 252.227-7037	Validation of Restrictive Markings on Technical Data (SEP 1999)
	DFARS 252.231-7000	Supplemental Cost Principles (DEC 1991)
	DFARS 252.242-7000	Post-Award Conference (DEC 1991)
**	DFARS 252.243-7002	Requests for Equitable Adjustment (MAR 1998)
	DFARS 252.245-7001	Reports of Government Property (MAY 1994)
X	DFARS 252.246-7000	Material Inspection and Receiving Report (DEC 1991)
	DFARS 252.251-7000	Ordering from Government Supply Sources (MAY 1995)
**	DFARS 252.247-7023	Transportation of Supplies by Sea (MAY 2000)
**	DFARS 252.247-7024	Notification Of Transportation Of Supplies By Sea (MAR 2000) (Applicable when the Contractor has made a negative response to the inquiry in the representation at DFARS 252.247-7022.)
	DFARS 252.251-7000	Ordering from Government Supply Sources (MAY 1995)

(B) ADDITIONAL FAR AND DFARS CLAUSES

This contract incorporates one or more clauses by reference as indicated by the mark of (X), with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this address: http://www.arnet.gov/far/

FAR 52.204-2	Security Requirements (AUG 1996) (Applicable if contract will generate or require access to classified information and DD Form 254, Contract Security

		Classification Specification, is issued to the contractor)
X	FAR 52.209-6	Protecting the Government's Interest when Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment (JUL 1995) (Applicable to contracts exceeding $25,000 in value.)
X	FAR 52.215-17	Waiver of Facilities Capital Cost of Money (OCT 1997) (Applicable if the Contractor did not propose facilities capital cost of money in the offer)
	FAR 52.215-20	Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data (OCT 1997)
X		(Applicable if cost or pricing data or information other than cost or pricing data are required)
	FAR 52.215-21	Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data - Modifications (OCT 1997) (Applicable if cost or pricing data or information other than cost or pricing data will be required for modifications)
X	FAR 52.217-9	Option to Extend the Term of the Contract (MAR 2000) (In paragraph (a), insert "any time before the contract expires", and in paragraph (c), insert "27 months")
	FAR 52.219-3	Notice of Total HUBZone Set-Aside (JAN 1999)
	FAR 52.219-5	Very Small Business Set-Aside (MAR 1999) (For actions between $2,500 and $50,000)
	FAR 52.219-6	Notice of Total Small Business Set-Aside (JUL 1996), and Alternate I (OCT 1995) (Applicable to total small business set-asides, including SBIR)
	FAR 52.219-7	Notice of Partial Small Business Set-Aside (JUL 1996) and Alternate I (OCT 1995)
	FAR 52.219-10	Incentive Subcontracting Program (OCT 2001) (Applicable at the PCO's discretion to contract actions exceeding $500,000 and when subcontracting possibilities exist. The clause is small business exempt) (In paragraph (b), insert the appropriate number between 0 and 10 - "XX") (Complete the space in the parentheses)
	FAR 52.219-25	Small Disadvantaged Business Participation Program -Disadvantaged Status and Reporting (OCT 1999) (Applicable if contract includes FAR 52.219-24)
	FAR 52.219-26	Small Disadvantaged Business Participation Program -Incentive Subcontracting Program (OCT 2000) (Applicable at the PCO's discretion to contract actions exceeding $500,000 and when subcontracting possibilities exist. The clause is small business exempt) (In paragraph (b), insert the appropriate number between 0 and 10 - "XX") (Complete the space in the parentheses)
	FAR 52.222-20	Walsh Healy Public Contracts Act (DEC 1996)

		(Applicable if the contract includes deliverable materials, supplies, articles or equipment in an amount that exceeds or may exceed $10,000)
	FAR 52.223-5	Pollution Prevention and Right-to-Know Information (APR 1998) (Applicable if contract provides for performance, in whole or in part, on a Federal facility)
X	FAR 52.223-6	Drug-Free Workplace (MAY 2001) (Applies when contract action exceeds $100,000 or at any value when the contract is awarded to an individual)
X	FAR 52.227-20	Rights in Data - SBIR Program (Mar 1994)
	FAR 52.230-2	Cost Accounting Standards (APR 1998) (Applicable when contract amount is over $500,000, if contractor is subject to full CAS coverage, as set forth in 48 CFR Chapter 99, Subpart 9903.201-2(a) (FAR Appendix B)
	FAR 52.230-3	Disclosure and Consistency of Cost Accounting Practices (APR 1998) (Applicable when contract amount is over $500,000 but less than $25 million, and the offeror certifies it is eligible for and elects to use modified CAS coverage as set forth in 48 CFR Chapter 99, Subpart 9903.201-2 (FAR Appendix B)
	FAR 52.230-6	Administration of Cost Accounting Standards (NOV 1999) (Applicable if contract is subject to either clause at FAR 52.230-2, FAR 52.230-3 or FAR 52.230-5)
X	FAR 52.232-20	Limitation of Cost (APR 1984) (Applicable only when contract action is fully funded)
X	FAR 52.232-22	Limitation of Funds (APR 1984) (Applicable only when contract action is incrementally funded)
X	FAR 52.232-33	Payment by Electronic Funds Transfer - Central Contractor Registration (MAY 1999)
	FAR 52.239-1	Privacy or Security Safeguards (AUG 1996) (Applicable to contracts for information technology which require security of information technology, and/or are for the design, development, or operation of a system of records using commercial information technology services or support services.)
	FAR 52.245-18	Special Test Equipment (FEB 1993) Applicable when it is anticipated that the contractor will acquire or fabricate special test equipment but the exact identification of the equipment is not known)
	DFARS 252.203-7002	Display of DoD Hotline Poster (DEC 1991) (Applicable only when contract action exceeds $5 million or when any modification increases contract amount to more than $5 million)
	DFARS 252.204-7000	Disclosure of Information (DEC 1991) (Applies when Contractor will have access to or generate unclassified information that may be sensitive and inappropriate for release to the public)

	DFARS 252.204-7005	Oral Attestation of Security Responsibilities (NOV 2001) (Applicable if FAR 52.204-2, Security Requirements Applies)
X	DFARS 252.205-7000	Provision of Information to Cooperative Agreement Holders (DEC 1991) (Applicable only when contract action exceeds $500,000 or when any modification increases total contract amount to more than $500,000)
X	DFARS 252.215-7002	Cost Estimating System requirements (Oct 1998) (Applicable only to contract actions awarded on the basis of certified cost or pricing data)
	DFARS 252.223-7004	Drug-Free Work Force (SEP 1988) (Applicable (a) if contract involves access to classified information: or (b) when the Contracting Officer determines that the clause is necessary for reasons of national security or for the purpose of protecting the health or safety of performance of the contract.
	DFARS 252.223-7006	Prohibition on Storage and Disposal of Toxic and Hazardous Materials (APR 1993) (Applicable if work requires, may require, or permits contractor performance on a DoD installation)
	DFARS 252.225-7001	Buy American Act and Balance of Payments Program (MAR 1998) (Applicable if the contract includes deliverable supplies) (This clause does not apply if an exception to the Buy American Act or Balance of Payments Program is known or if using the clause at 252.225-7007, 252.225-7021, or 252.225-7036.)
	DFARS 252.225-7002	Qualifying Country Sources as Subcontractors (DEC 1991) (Applicable when clause at DFARS 252.225-7001, 252.227-7007, 252.227-7021, or 252.227-7036 applies)
	DFARS 252.225-7008	Supplies to be Accorded Duty-Free Entry (MAR 1998) (Applicable when the contract provides for duty-free entry and includes FAR 52.225-8 - Duty-Free Entry)
	DFARS 252.225-7009	Duty-Free Entry - Qualifying Country Supplies (End Products and Components) (AUG 2000) (Applicable if contract includes deliverable supplies)
	DFARS 252.225-7010	Duty-Free Entry - Additional Provisions (AUG 2000) (Applicable when FAR 52.225-8 - Duty-Free Entry is included in the contract.)
	DFARS 252.225-7016	Restriction On Acquisition Of Ball And Roller Bearings (DEC 2000) (Applicable if contract includes deliverable supplies, unless Contracting Officer knows that items being acquired do not contain ball or roller bearings)
X	DFARS 252.225-7026	Reporting of Contract Performance Outside the United States (JUN 2000) (Applicable only when contract value exceeds $500,000 or when any modification increases contract value to more than $500,000)
	DFARS 252.226-7001	Utilization of Indian Organizations and Indian-Owned

		Economic Enterprises (SEP 2001) [(Applicable if FAR Part 12 is not used, and for supplies and services (but not R&D) expected to exceed SAP thresholds) (This Final Rule replaces FAR 52.226-1 (JUN 2000) via DFARS Chg Ntc 20020531]
X	DFARS 252.227-7018	Rights in Noncommercial Technical Data and Computer Software - Small Business Innovation Research (SBIR) Program (JUN 1995) (Applicable when technical data or computer software will be generated during performance of contracts under the SBIR Program)
	DFARS 252.242-7004	Material Management and Accounting System (DEC 2000) (Applicable to contract actions exceeding $100,000) (Not applicable to contracts set aside for exclusive participation by small business and small disadvantaged business concerns)

C. COST-PLUS-FIXED-FEE-RESEARCH AND DEVELOPMENT CLAUSES

The following FAR and DFARS clauses apply to Cost-Plus-Fixed-Fee Research and Development Contracts and are either required by regulation or are required when the circumstances of the contract warrant that they apply: (** - applies to contract actions exceeding $100,000)

	FAR 52.225-16	Sanctioned European Union Country Services (FEB 2000)
**	FAR 52.227-1	Authorization and Consent (JUL 1995) and Alternate I (APR 1984)
	FAR 52.243-2	Changes - Cost Reimbursement (AUG 1987) and Alternate V(APR 1984)
	FAR 52.246-9	Inspection of Research and Development (Short Form) (APR 1984)
	FAR 52.246-23	Limitation of Liability (FEB 1997)
	DFARS 252.235-7002	Animal Welfare (DEC 1991)
	DFARS 252.235-7011	Final Scientific or Technical Report (SEP 1999)

The following FAR and DFARS clauses for Cost-Plus-Fixed-Fee Research and Development Contracts only apply when specifically marked with a check (x):

	FAR 52.227-10	Filing of Patent Applications -Classified Subject Matter (APR 1984) (Applicable if contract is subject to FAR clause 52.204-02 and either 52.227-11 or 52.227-12)
X	FAR 52.227-11	Patent Rights - Retention by the Contractor (Short Form) (JUN 1997) (Applicable if contractor is a small business or non profit organization)

OR

	FAR 52.227-12	Patent Rights - Retention by the Contractor (Long Form) (JAN 1997) (Applicable if contractor is a large business)
X	DFARS 252.227-7034	Patents - Subcontracts (APR 1984) (Applicable when FAR 52.227-11 applies)
X	DFARS 252.227-7039	Patents - Reporting of Subject Inventions (APR 1990) (Applied when FAR 52.227-11 applies)

4. Revise sentence number 1 of Section K - Representations, Certifications and other statements of offeror as follows:

   1. The Contractor's Representations and Certifications, dated 21 June 2002 is hereby incorporated in to this contract by reference.

Award Number: N00014-02-C-0053
Modification Number: P00001

FINANCIAL ACCOUNTING DATA SHEET - NAVY

1. CONTRACT NUMBER (CRITICAL)	2. SPIIN (CRITICAL)	3. MOD (CRITICAL)	4. PR NUMBER	PAGE 1 OF 1
N0001402C0053		P00001	02PR02408-01	

6. LINE OF ACCOUNTING

CLIN/SLN	A. ACRN (Critical)	B. APPROPRIATION (CRITICAL)	C. SUBHEAD (CRITICAL)	D. OBJ CLA	E. PARM	F. RFM	G. SA	H. AAA (CRITICAL)	I. IT	J. PAA	K. COST CODE PROJ UNIT	MCC	PDLI & SUF	7. AMOUNT (CRITICAL)	NAVY INTERNAL USE ONLY REF DOC/ACRN
	AA	1711319	W3FA	255	RA	333	0	068342	2D	000000	02839	000	4KT0	[**]	PR#02PR02408-01 FRC: 34KT
	AB	1711319	W3EK	255	RA	333	0	068342	2D	000000	02830	000	4KP0	[**]	PR#02PR02408-01 FRC: 34KP

PAGE TOTAL [**]

GRAND TOTAL [**]

PREPARED/AUTHORISED BY:

COMPTROLLER APPROVAL:
FOR FISCAL DATA AND SIGNATURE

BY ________________ for COMPTROLLER, ONR CONTRACT REVIEWED

DATE:

DATE:

ONR AWARD FORM (2/00) - version 1.1

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

CONTRACT ID CODE D0-C9(U)

2. AMENDMENT/MODIFICATION NO.	3. EFFECTIVE DATE	4. REQUISITION/PURCHASE REG. NO.	5. PROJECT NO. (If applicable)
P00002	SEE BLOCK 16C	03PR07099-00	N.A.

6. ISSUED BY CODE N00014

OFFICE OF NAVAL RESEARCH
ONR 254 Cheryl De Lisle (703)696-2571 E-mail
cheryl_delisle@onr.navy.mil
BALLSTON CENTRE TOWER ONE
800 NORTH QUINCY STREET
ARLINGTON, VA 22217-5660

7. ADMINISTERED BY (If other than Item 6) CODE S3915A
SCD-C

DCM PHILADELPHIA
PO BOX 11427
700 ROBBINS AVE., BLDG 4A
PHILADELPHIA, PA 19111-0427

8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and Zip Code)

OCEAN POWER TECHNOLOGIES INC.
1590 REED ROAD
PENNINGTON, NJ 08534

CODE 04EP7 FACILITY CODE

(3) 9.A. AMENDMENT OF SOLICITATION NO.
N.A.

[ ] 9B. DATED (SEE ITEM 11)

[X] 10A. MODIFICATION OF CONTRACT/ORDER NO.
N00014-02-C-0053

10B. DATED (SEE ITEM 13)
11-FEB-02

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[ ] The above numbered solicitation is amended as set forth in Item 14. The hour and data specified for receipt of Offers [ ] is extended, [ ] is not extended.

Offers must acknowledge receipt of this amendment prior to the hour and data specified in the solicitation or as amended, by on of the following methods:
(a) By completing items 8 and 15, and returning ____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and data specified.

12. ACCOUNTING AND APPROPRIATION DATA (if required)
SEE THE ATTACHED FINANCIAL ACCOUNTING DATA (FAD) SHEET(S)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRTACTS/ORDERS,
IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

(3) [ ] A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify Authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

[ ] B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation data, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).

[ ] C. SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:
AUTHORITY FOR OTHER THAN FULL AND OPEN COMPETITION:

[X] D. OTHER (Specify type of modification and authority)
Bilaterial Mod issued pursuant to Mutual Agreement of the Parties

E. IMPORTANT: Contractor [ ] is not, [X] is required to sign this document and return 2 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

The purpose of this modification is to fund for a cost growth in the amount of $[**] under CLIN 0001, replace the current statement of work with attached statement of work, exercise Option 2 and incrementally fund it in the amount of $[**] under Contract N00014-02-C-0053.

Except as provided herein, all terms and conditions of the document referenced in item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)		16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)	
Charles F. Dunleavy Chief Financial Officer		Margaret L. Graves Contracting Officer	
15B. CONTRACTOR/OFFEROR	15C. DATE SIGNED	16B. UNITED STATES OF AMERICA	16C. DATE SIGNED
/s/ Charles F. Dunleavy	21 April 2003	BY /s/ Margaret L. Graves	22 April 2003
(Signature of person authorized to sign)		(Signature of Contracting Officer)	

Effective as of the date of this modification:

1. The funding available for the performance of this Contract is increased by the amount set forth in the attached Financial Data Sheet.

2. Option 2 of Section B - Supplies or Services and Prices/Costs is hereby exercised and CLIN 0001 changed as follows:

ITEM NO.	SUPPLIES/SERVICES	ESTIMATED COST	FIXED FEE	TOTAL ESTIMATED COST & FIXED FEE
0001	The Contractor shall furnish the necessary personnel and facilities to conduct the research effort as described in Section C	$ [**]	$ [**]	$ [**]
	000101 ACRN: AA $[**]			
	000102 ACRN: AC $[**]			
0002	Reports and Data in accordance with Exhibit A (DD Form 1423)			NSP
0003	OPTION 1, Wave Tank Test 2; Validate Numerical Models	$ 99,850	5,991	$ 105,841.00
0004	OPTION 2, On-Going Ocean Test-Continue Monitoring			
	000301 ACRN: AC $[**]	$107,979	6,479	$ 114,458.00
0005	OPTION 3, Complete System Removal	$259,984	15,599	$ 275,583.00
	000501 ACRN: AA $[**]			
	000502 ACRN: AB $[**]			
TOTAL ESTIMATED CONTRACT CONSIDERATION:		$ [**]	$ [**]	$4,075,170.00

* Option 3 was exercised prior to Options 1 and 2 to fund the buoy removal. Option 2 is exercised due to related decisions made for the base period. Option 1 may be exercised at a later time.

Award Number: N00014-02-C-0053
Modification Number: P00002

3. Change SECTION C - DESCRIPTION/SPECIFICATIONS/WORK STATEMENT, to read as follows:

1. The Contractor shall conduct research in accordance with the proposal described below which was submitted by the Contractor in response to the Department of Defense Program Solicitation Number, Phase III Small Business Innovation (SBIR) Program.

Topic Number: N95-074

Title Proposed by Firm: Ocean Power Technology

Date: 19 Oct 01

2. Delete the original Statement of Work and add the Revised Statement of Work dated Feb 12, 2003, 6 pages, and provided as attachment 1.

4. Add the following clause to SECTION H, SPECIAL CONTRACT REQUIREMENTS, and incorporate herein:

6. ONR 5252.244-9701 Contractor-Acquired Property (JAN 1999)

(a) The Contractor is authorized to acquire the following equipment needed to accomplish this contract:

EQUIPMENT TO BE ACQUIRED	ESTIMATED COST
2 each - Dell 2.00GHz/400MHz Front Side Bus, Xeon, Dell Precision 530 Minitower, 512K Cache	$[**]
RD Instruments Wave Device	$[**]
Bolt Torquing Equipment	$[**]

(b) The Contracting Officer's consent is hereby given for the acquisition of the above items.

(c) Pursuant to the contract clause entitled "Government Property," title to the property shall vest in the Government.

Award Number: N00014-02-C-0053
Modification Number: P00002

5. Revise SECTION G, paragraph 6 entitled "Allotment of Funds" to add funding in the amount of $[**] as follows:

6. ALLOTMENT OF FUNDS

It is hereby understood and agreed that this contract will not exceed a total amount of $4,075,170.00 including an estimated cost of $[**] and a fixed fee of $[**].

CLIN 0001 is fully funded.

CLIN 0004 is incrementally funded in the amount of $[**] including as estimated cost of $[**] and a fixed fee of $[**].

CLIN 0005 is incrementally funded in the amount of $[**] including an estimated cost of $[**] and a fixed fee of $[**]

Award Number: N00014-02-C-0053
Modification Number: P00002

REVISED STATEMENT OF WORK

TASK DESCRIPTIONS

TASK GROUP 1.0: OCEAN TEST SITE PLANNING AND PREPARATION

TASK 1.1: OPT CONTRACT AWARD (MILESTONE)

TASK 1.2: OPT KICK-OFF AND PHEPS UPDATE (MEETING)

The project team will conduct a kick-off meeting to review the OPT program plan and any information pertinent to a [**] design. Important inputs and factors learned thus far on the PHEPS effort will be reviewed to determine their relevance to the OPT effort.

TASK GROUP 2.0: MODELING AND SYSTEM DESIGN

Key mathematical models in three design areas will be developed during the design phase: Hydrodynamic, Operational Availability, and Multiple Buoy Power Combination. The upgrade of OPT's existing Hydrodynamic model was performed on the PHEPS contract; however, further changes, as recommended by NFESC technical personnel, will occur during the OPT system design phase. Wave tank testing, if deemed necessary, will be performed under Program Option 1. The models will be developed around OPT's baseline WEC design, using actual data retrieved from past and present buoy testing for validation. Inputs to the model will consist of agreed upon met-ocean parameters such as wave climate and baseline WEC configuration.

TASK 2.1: RETRIEVE DATA/ANALYZE NJ WEC OPERATIONS

OPT will assemble pertinent data from past wave tank and ocean experiments and make it available to the modeling teams. Analysis of the operation of the Tuckerton, NJ System will also be performed.

TASK 2.2: CREATE AO MODEL

With the assistance of NFESC technical personnel, OPT will select an outside contractor to develop a basic and reasonable Ao model of the WEC system. NFESC's experience with the MPAT Model will be reviewed for applicability to this program. OPT will provide information to the contractor about the baseline WEC design and the input met-ocean conditions. The contractor will develop and code a model that will estimate system availability, and also identify key risk areas. Due to NFESC's experience in this modeling, NFESC will provide consultation in guiding model development. The model will be reviewed with OPT and NFESC for quality and system completeness.

TASK 2.3: CREATE MULTI-BUOY POWER COMBINATION MODEL

Using various simulation and software packages, such as Simulink or Saber, OPT will model a multi-unit WEC system to determine the most efficient method of combining power from two separate WEC units. Work will focus on hydraulic and electrical subsystem configuration to find an optimal arrangement. The model will yield a block diagram (with identified equipment) with major equipment parameters from which a system can be designed. Code will be primarily developed in-house with sub-contractors providing recommended practical system configurations in hydraulics and electrical power conversion for basis of the modeling. Consistency checks will include examination of response of power conversion systems to controlled force and velocity input

TASK 2.4: MODELS REVIEW

Members of the project team involved with the modeling efforts (NFESC, OPT and contractors/consultants) will review the models and assumptions for accuracy, relevance, quality and completeness versus their intended design.

TASK 2.5: WAVE TANK TESTING - INITIAL PLANNING

With technical assistance from NFESC personnel, OPT will develop a preliminary wave tank test plan to include identification of a hierarchy of key model components to be validated, a matrix of tests to validate these model components, basic test requirements, identification of test parameters and scope of the series of tests to be performed.

TASK 2.6: MODEL UPGRADE

TASK 2.6.1: UPGRADE HYDRODYNAMIC MODEL

Necessary changes to hydrodynamic model will be carried out. Changes made will be based on a) results of analysis of wave tank test data and b) recommendations of NFESC technical personnel in response to their review of OPT's report on the hydrodynamic code.

TASK 2.9: SYSTEM DESIGN

TASK 2.9.4: POWER CONVERSION AND CONDITIONING (ELECTRICAL AND HYDRAULIC) SUBSYSTEMS DESIGN

A contractor experienced in ocean cable systems (such as Makai Ocean Engineering) plus OPT's electrical engineering staff will specify electrical transmission cable and mode. The remainder of the power conversion and conditioning (electrical and hydraulic) subsystems, both land and sea-based will be designed by OPT and its contractors in accordance with the Design Requirements for a single-buoy system with the appropriate design considerations for a [**].

TASK 2.9.5: SENSORS, DATA ACQUISITION AND CONTROL DESIGN

Under the PHEPS contract, the work content in the area of sensors and data acquisition design focused on accommodating enhanced data and instrumentation requirements to support needs for comprehensive test data. In this task, the work will utilize the enhanced sensor and data capability already developed but will focus on the control algorithm and user interface for sea-based and shore-based equipment for a single-buoy system with the appropriate design considerations for a [**].

TASK 2.10: DESIGN- MODIFICATIONS

Based on the results of the Final System Design Review, the system design may need to be modified. The final system design modifications will be compiled, and circulated to the project team under the PHEPS contract deliverable.

TASK GROUP 3.0: OCEAN TEST PREPARATION

TASK 3.1: PROCUREMENT, FABRICATION, FINAL SYSTEM ASSEMBLY AND TEST

This task will include the activities associated with the procurement and fabrication of the WEC power conversion and conditioning system and sensors and data acquisition system to include final modifications to the detailed drawings, the selection of suppliers, and the activities involved in supporting the procurement, fabrication and supplier and QA management. It is important that long-lead time items be identified and ordered early on in the project so they may follow a staged deployment within the plan to allow the final installation timing goals to be met. Upon delivery of all system components to the primary staging area in Hawaii, the final assembly and testing of the entire system will occur prior to installation.

TASK 3.2: INSTALLATION AND TEST PLANS

Detailed installation and test plans for the subsea cable, anchor/mooring system, buoy and canister, based on the installation planning previously performed by OPT and its installation subcontractor on the PHEPS contract, will be developed by OPT. Cable forces will be determined using mathematical models, and rock bolt tests will be performed at the installation site to determine the design capacity of the anchoring system and the subsea cable for the installation. These plans will be circulated to the project team for feedback, leading up to a review of such plans.

TASK 3.3: INSTALLATION AND TEST PLANS REVIEW

The project team will review the installation and test plan. Involved site and contractor personnel or their representatives will be involved in the review.

TASK 3.4 SITE PREPARATIONS

Any required permits or coordinating with local facilities will have been obtained by the government. Local Navy personnel will work with OPT's electrical engineering and project staff to specify on shore electrical interface and equipment facilities requirements. The land based electrical and communications equipment facility will be either constructed or arranged for within existing infrastructure. Any remaining final diving surveys to map cable routes and anchor site and hydrographic surveys will be conducted. OPT will be responsible for this effort, working through contractors, or seeking US Navy/NFESC diving resources and other resources if cost effective and available. This proposal assumes that OPT's contractor will perform these tasks.

TASK 3.5 PRE-INSTALLATION BRIEFING

Prior to system installation, a final briefing of the installation plan will be held with the project team.

TASK 3.6: SYSTEM INSTALLATION (1 BUOY AND ELECTRICAL HOOK-UP)

The installation of the buoy will be carried out in accordance with the installation and test plans. The organizational structure for the installation activity will be established with clear lines of communication protocol and decision making authority. An experienced contractor (such as Sea Engineering, Inc. and Makai Ocean Engineering and their subcontractors) will carry out the installation of the cable, anchors/mooring, buoy, and additional infrastructure necessary to support the [**] configuration. The installation may be carried out in separate phases due to its relative sensitivity to weather. The land-based equipment previously specified and documented in the cost proposal will be installed in the equipment facility. Based on local infrastructure, resource scheduling, weather and logistical issues, the installation schedule must remain somewhat flexible.

TASK GROUP 4.0: OCEAN TEST

TASK 4.1: MONITORING, DATA COLLECTION AND ANALYSIS

Data from the WEC system operation will be collected for a nine-month period and entered into the operational database. Data will be collected in several different ways. Some parameters will be monitored electronically from sensors through a data acquisition system. Other parameters may be monitored by direct human interaction, such as daily observations of an electric meter or counter at a land-based facility. Other parameters may require divers to make routine visual inspections of the buoy and anchor components to check for corrosion, marine growth, and wear. Data from other sensing devices such as independent wave characteristic monitoring devices (wave rider buoys, acoustic Doppler units, etc.) must be collected and integrated. Analysis of the data collected will identify trends, anomalies and key operational points. Some of this analysis will be conducted by statistical and event mapping of data from spreadsheet or other database format. The data will be presented in a time-based format to allow correlation with varying events with system responses. Data will be analyzed by OPT personnel with assistance from contractors and NFESC personnel as required.

TASK 4.2: MID-TEST REVIEW

Members of the project team will review the results of the ocean test mid-way through the test period. Recommendations for changes in the test plan can be made at that time.

TASK 4.3: MODEL UPDATE AND DESIGN VALIDATION

On-going actual data collected will be "fed" back into the key models for purposes of model validation. Variations in actual results vs. model predictions will be studied. Models will be updated once resolutions to the variances have been solved or researched.

TASK 4.4: CONCLUSIONS AND RECOMMENDATIONS

Comparison of the models to actual performance will be made to form the results. Conclusions and recommendations can them be formulated.

TASK 4.5: FINAL OCEAN TEST REVIEW

All project team members will meet to present the key findings from the tests and review the conclusions and recommendations.

TASK GROUP 5.0: PROGRAM MANAGEMENT

PROGRAM PLANNING AND TRACKING - The OPT Program Manager will be responsible for resource assignment, task direction and schedule management. OPT will notify the government when the project reaches 75% completion in terms of cost as required in the contract clauses FAR 52.232.20, Limitation of Cost and FAR 52.232-22, Limitation of Funds.

PROGRAM MEETINGS - Program meetings will be established to coincide with key technical milestones.

PROGRESS REPORTS - OPT will prepare and distribute the minutes from Review Meetings, Monthly Progress Reports, and Major Technical Reports in accordance with the Contract Data Requirements List (CDRL) Items.

TASK GROUP 6.0: SYSTEM REMOVAL - (CLIN 0005 - PREVIOUSLY OPTION 3)

This option will allow for removal of one buoy, and the associated system components including the anchor/mooring system, canister, ADCP device, sub sea and land-based cables, and shore-based electronics.

At the end of the test period, a suitable subcontractor such as Sea Engineering Inc. will remove the buoy from the water and move it to a temporary government storage location.

TASK GROUP 7.0: PROGRAM OPTIONS:

TASK 7.1 WAVE TANK TEST AND MODEL VALIDATION - OPTION 1

TASK 7.1.1 WAVE TANK TESTING

Wave tank testing will encompass a small-scale buoy and mooring design based on the baseline design. OPT, consultants, and NFESC technical personnel will identify the necessary parameters and expected results from a wave tank test. The purpose of the test is to provide validation of the hydrodynamic model. A detailed wave tank test plan based on the preliminary test plan developed under Task 2.5 will be devised. A scale model of the proposed WEC system design will be fabricated. The model will be appropriately sized to yield useful results. Data will be collected, results tabulated and analyzed.

TASK 7.1.2: VALIDATE NUMERICAL MODELS

Based on the results of the wave tank studies, the data will be input back into the hydrodynamic and Ao models for validation

TASK 7.2: ON-GOING OCEAN TEST - CONTINUE TO MONITOR EXISTING BUOYS - OPTION 2

The WEC system deployed in the ocean under this contract will continue to be to be monitored for a six-month period. Data will be retrieved utilized to update existing models. Data will be gathered from electronic monitoring of sensors as well as routine visual observations and inspections of the unit.

CONTRACT DATA REQUIREMENTS LIST

Form Approved
OMB No. 0704-0188

Public reporting burden for this collection of information is estimated to average 440 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection or information, including suggestions for reducing the burden, to Washington Headquarters Services Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget Paperwork Reduction Project (0704-0188), Washington, DC 20503.

A. CONTRACT LINE ITEM NO. B. EXHIBIT C. CATEGORY:
TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM
Ocean Power Technology Program

E. CONTRACT/PR NO.
N0001402-C-0053

F. CONTRACTOR
Ocean Power Technologies, Inc.

1. DATA ITEM NO.
A001

2. TITLE OF DATA ITEM
Progress Report

3. SUBTITLE
Administrative Progress Report

4. AUTHORITY (Data Acquisition Document No.)
Contractor Format

5. CONTRACT REFERENCE
SOW Task 5

6. REQUIRING OFFICE
ONR 334

7. DD 250 REQ
LT

9. DIST STATEMENT
REQUIRED

10. FREQUENCY
MTHLY

12. DATE OF FIRST SUBMISSION
28 DAC. See BLK 16

8. APP CODE

11. AS OF DATE

13. DATE OF SUBSEQUENT SUBMISSION
15th of each month. See BLK 16

14. DISTRIBUTION

ADDRESSEE	b. COPIES Draft	Final REQ	Final REPRO
ONR 254		LT	
ONR 334		1	1
NFESC 52		1	1
15. TOTAL	0	2	2

16. REMARKS
The first Administrative Progress Report shall be delivered 28 days after award of the contract. Subsequent monthly submittals shall be delivered on the 15th of each month for the previous months activities.
The first page shall indicate:
- the title,
- the contractor's name and address,
- the contract number and CDRL number,
- the date of the report, and the period covered by the report.

Progress payment vouchers shall be coordinated with the costs given in these reports.

Each report shall summarize the following information for the previous months reporting period:
- Actual versus planned resource expenditures, in tabular form.
- Actual versus planned deliverables, showing due and completion dates.
- Resolution of previous problem areas reported on the previous report.
- Any technical, schedule, or cost problems encountered or expected.

If any problems are reported, then the report shall also include the following information:
- Description of problem(s)
- Recommended action(s)
- Resulting impact on contract (if any)

G. PREPARED BY
R. L. Brackett

H. DATE
18 July 2003

L. APPROVED BY
P. Furman

J. DATE
18 July 2003

CONTRACT DATA REQUIREMENTS LIST

Form Approved
OMB No. 0704-0188

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A. CONTRACT LINE ITEM NO. B. EXHIBIT C. CATEGORY:
TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM
Ocean Power Technology Program

E. CONTRACT/PR NO.
N0001402-C-0053

F. CONTRACTOR
Ocean Power Technologies, Inc.

1. DATA ITEM NO.
A002

2. TITLE OF DATA ITEM
Meeting Agenda

3. SUBTITLE

4. AUTHORITY (Data Acquisition Document No.)
Contractor Format

5. CONTRACT REFERENCE
SOW Task 5

6. REQUIRING OFFICE
ONR 334

7. DD 250 REQ
LT

9. DIST STATEMENT
REQUIRED

10. FREQUENCY
ASREQ

12. DATE OF FIRST SUBMISSION
See BLK 16

8. APP CODE

11. AS OF DATE

13. DATE OF SUBSEQUENT SUBMISSION
See BLK 16

14. DISTRIBUTION

ADDRESSEE	b. COPIES Draft	Final REQ	Final REPRO
ONR 254		LT	
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

16. REMARKS
The Contractor shall prepare and deliver a Draft Meeting Agenda to the Government at least 10 working days prior to each Review Meeting. The agenda shall be prepared in Contractor format and shall indicate each topic proposed for discussion as well as the time allocated for each topic. Government comments will be returned to the contractor 5 working days prior to the meeting. The contractor shall incorporate the government comments and present a Final Agenda at the beginning of each meeting.

G. PREPARED BY
R. L. Brackett

H. DATE
18 July 2003

L. APPROVED BY
P. Furman

J. DATE
18 July 2003

CONTRACT DATA REQUIREMENTS LIST

Form Approved
OMB No. 0704-0188

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A. CONTRACT LINE ITEM NO. B. EXHIBIT C. CATEGORY:
TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM
Ocean Power Technology Program

E. CONTRACT/PR NO.
N0001402-C-0053

F. CONTRACTOR
Ocean Power Technologies, Inc.

1. DATA ITEM NO.
A003

2. TITLE OF DATA ITEM
Meeting Minutes

3. SUBTITLE

4. AUTHORITY (Data Acquisition Document No.)
Contractor Format

5. CONTRACT REFERENCE
SOW Task 5

6. REQUIRING OFFICE
ONR 334

7. DD 250 REQ
LT

9. DIST STATEMENT
REQUIRED

10. FREQUENCY
ASREQ

12. DATE OF FIRST SUBMISSION
7 days after meeting

8. APP CODE

11. AS OF DATE

13. DATE OF SUBSEQUENT SUBMISSION
See BLK 16

14. DISTRIBUTION

ADDRESSEE	b. COPIES Draft	Final REQ	Final REPRO
ONR 254		LT	
ONR 334		1	1
NFESC 52		1	1
15. TOTAL	0	2	2

16. REMARKS
Meeting Minutes shall be submitted in Contractor format within 7 days after each Review Meeting.

The first page shall indicate:
- the title,
- the contractor's name and address,
- the contract number and CDRL number,
- the date of the meeting, and the location.

Meeting Minutes shall summarize all topics discussed and shall include resolution of any technical issues. The Minutes shall include an appendix presenting a list of Action Items, person or organization responsible for completing the task as well as the agreed completion date. The Minutes shall include a list of attendees by name, rank or position, activity, and phone number.

G. PREPARED BY
R. L. Brackett

H. DATE
18 July 2003

L. APPROVED BY
P. Furman

J. DATE
18 July 2003

CONTRACT DATA REQUIREMENTS LIST

Form Approved
OMB No. 0704-0188

A. CONTRACT LINE ITEM NO. B. EXHIBIT C. CATEGORY:
TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM
Ocean Power Technology Program

E. CONTRACT/PR NO.
N0001402-C-0053

F. CONTRACTOR
Ocean Power Technologies, Inc.

1. DATA ITEM NO.
A004

2. TITLE OF DATA ITEM
Presentation Material

3. SUBTITLE

4. AUTHORITY (Data Acquisition Document No.)

5. CONTRACT REFERENCE
SOW Task 5

6. REQUIRING OFFICE
ONR 334

7. DD 250 REQ
LT

9. DIST STATEMENT
REQUIRED

10. FREQUENCY
ASREQ

12. DATE OF FIRST SUBMISSION
See BLK 16

8. APP CODE

11. AS OF DATE

13. DATE OF SUBSEQUENT SUBMISSION
See BLK 16

14. DISTRIBUTION

ADDRESSEE	Draft	Final REQ	Final REPRO
ONR 254		LT	
ONR 334		1	1
NFESC 52		1	1
15. TOTAL	0	2	2

16. REMARKS
The Contractor shall provide a set of all audio/visual material used during each Review Meeting at the conclusion of the presentation. Video presentation material shall be prepared in NTSC standard and recorded on VHS format videotape. Hard copies of presentation View Graphs shall be prepared on 8 1/2 by 11 inch white bond paper. Electronic (reproducible) copies shall be compatible with Microsoft PowerPoint 2000.

G. PREPARED BY
R.L. Brackett

H. DATE
18 July 2003

L. APPROVED BY
P. Furman

J. DATE
18 July 2003

CONTRACT DATA REQUIREMENTS LIST

Form Approved
OMB No. 0704-0188

A. CONTRACT LINE ITEM NO. B. EXHIBIT C. CATEGORY:
TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM
Ocean Power Technology Program

E. CONTRACT/PR NO.
N0001402-C-0053

F. CONTRACTOR
Ocean Power Technologies, Inc.

1. DATA ITEM NO.
A005

2. TITLE OF DATA ITEM
Technical Report

3. SUBTITLE
Hydrodynamic Model Upgrade & Validation

4. AUTHORITY (Data Acquisition Document No.)

5. CONTRACT REFERENCE
SOW Task 2.6.1

6. REQUIRING OFFICE
ONR 334

7. DD 250 REQ
DD

9. DIST STATEMENT REQUIRED

10. FREQUENCY
ONE/R

12. DATE OF FIRST SUBMISSION
83 DAC - See BLK 16

8. APP CODE

11. AS OF DATE

13. DATE OF SUBSEQUENT SUBMISSION
30 June 2003

14. DISTRIBUTION

		b. COPIES	
		Final	
ADDRESSEE	Draft	REQ	REPRO
ONR 254	LT	DD	
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

16. REMARKS
BLK 12: The first submission of the report shall be a draft of the Technical Report. Government comments on the draft report will be returned to the Contractor 14 days prior to the required submission of the Final Technical Report (see BLK 13)
BLK 13: The second submission of the Technical Report shall be a final version that incorporates comments from the Government review of the draft report.

The Final Report shall compile all of the design criteria, assumptions, calculations performed, issues, and resolutions addressed during performance of the contract. All calculations shall be presented in a clear and logical order. The calculation sheets shall be fully annotated in such a manner that government design quality assurance engineers can independently review the assumptions, method and calculation. Each calculation sheet shall include: project title, task title, date, engineer's name, and page number. With each submittal, calculations covering the work performed shall be included. The contractor shall also deliver electronic data file(s) of any simulation model calculations or results.

The first page shall indicate:
- the title,
- the contractor's name and address,
- the contract number and CDRL number,
- the date of the report, and the period covered by the report.

All copies of this Contract Deliverable shall be provided in electronic format. Electronic copies of reports shall be submitted in one of the following formats: (a) Portable Document Format (.pdf), or (b) Microsoft Word, 2000. All embedded figures and tables in these reports must be compatible with MS-Windows95. All electronic files shall be delivered preferably on a medium compatible with a 100MB Iomega(R) zip(TM) drive or CD ROM. Electronic copies of smaller items, (less than 1 Megabyte), may be deliverable by E-mail or on 3.5" floppy discs, as mutually agreed to by the Contractor and the Government.

G. PREPARED BY
R. L. Brackett

H. DATE
18 July 2003

L. APPROVED BY
P. Furman

J. DATE
18 July 2003

CONTRACT DATA REQUIREMENTS LIST

Form Approved
OMB No. 0704-0188

A. CONTRACT LINE ITEM NO. B. EXHIBIT C. CATEGORY:
TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM Ocean Power Technology Program	E. CONTRACT/PR NO. N0001402-C-0053	F. CONTRACTOR Ocean Power Technologies, Inc.
1. DATA ITEM NO. A006	2. TITLE OF DATA ITEM Technical Report	3. SUBTITLE Operational Availability Model
4. AUTHORITY (Data Acquisition Document No.)	5. CONTRACT REFERENCE SOW Task 2.2 & 2.6.2	6. REQUIRING OFFICE ONR 334

7. DD 250 REQ: DD
9. DIST STATEMENT: REQUIRED
10. FREQUENCY: ONE/R
12. DATE OF FIRST SUBMISSION: 137 DAC - See BLK 16
8. APP CODE
11. AS OF DATE
13. DATE OF SUBSEQUENT SUBMISSION: 168 DAC - See BLK 16

14. DISTRIBUTION

ADDRESSEE	Draft	Final REQ	Final REPRO
ONR 254	LT	DD	
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

16. REMARKS
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BLK 13: The second submission of the Technical Report shall be a final version that incorporates comments from the Government review of the draft report.

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- the contract number and CDRL number,
- the date of the report, and the period covered by the report.

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G. PREPARED BY R. L. Brackett	H. DATE 18 July 2003	L. APPROVED BY P. Furman	J. DATE 18 July 2003

CONTRACT DATA REQUIREMENTS LIST

Form Approved
OMB No. 0704-0188

A. CONTRACT LINE ITEM NO. B. EXHIBIT C. CATEGORY:
TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM: Ocean Power Technology Program
E. CONTRACT/PR NO.: N0001402-C-0053
F. CONTRACTOR: Ocean Power Technologies, Inc.

1. DATA ITEM NO.: A007
2. TITLE OF DATA ITEM: Technical Report
3. SUBTITLE: Multi-Buoy Simulation Model

4. AUTHORITY (Data Acquisition Document No.)
5. CONTRACT REFERENCE: SOW Task 2.3
6. REQUIRING OFFICE: ONR 334

7. DD 250 REQ: DD
9. DIST STATEMENT: REQUIRED
10. FREQUENCY: ONE/R
12. DATE OF FIRST SUBMISSION: 18 April 2003 - See BLK 16
14. DISTRIBUTION

8. APP CODE
11. AS OF DATE
13. DATE OF SUBSEQUENT SUBMISSION: 30 June 2003 - See BLK 16

ADDRESSEE	Draft	Final REQ	Final REPRO
ONR 254	LT	DD	
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

16. REMARKS
BLK 12: The first submission of the report shall be a draft of the Technical Report. Government comments on the draft report will be returned to the Contractor 14 days prior to the required submission of the Final Technical Report (see BLK 13)
BLK 13: The second submission of the Technical Report shall be a final version that incorporates comments from the Government review of the draft report.

The Final Report shall compile all of the design criteria, assumptions, calculations performed, issues, and resolutions addressed during performance of the contract. All calculations shall be presented in a clear and logical order. The calculation sheets shall be fully annotated in such a manner that government design quality assurance engineers can independently review the assumptions, method and calculation. Each calculation sheet shall include: project title, task title, date, engineer's name, and page number. With each submittal, calculations covering the work performed shall be included. The contractor shall also deliver electronic data file(s) of any simulation model calculations or results.

The first page shall indicate:

- the title,
- the contractor's name and address,
- the contract number and CDRL number,
- the date of the report, and the period covered by the report.

All copies of this Contract Deliverable shall be provided in electronic format. Electronic copies of reports shall be submitted in one of the following formats: (a) Portable Document Format (.pdf), or (b) Microsoft Word, 2000. All embedded figures and tables in these reports must be compatible with MS-Windows95. All electronic files shall be delivered preferably on a medium compatible with a 100MB Iomega(R) zip(TM) drive or CD ROM. Electronic copies of smaller items, (less than 1 Megabyte), may be deliverable by E-mail or on 3.5" floppy discs, as mutually agreed to by the Contractor and the Government.

G. PREPARED BY: R. L. Brackett
H. DATE: 18 July 2003
L. APPROVED BY: P. Furman
J. DATE: 18 July 2003

CONTRACT DATA REQUIREMENTS LIST

Form Approved
OMB No. 0704-0188

Public reporting burden for this collection of information is estimated to average 440 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection or information, including suggestions for reducing the burden, to Washington Headquarters Services Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget Paperwork Reduction Project (0704-0188), Washington, DC 20503.

A. CONTRACT LINE ITEM NO. B. EXHIBIT C. CATEGORY:
TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM
Ocean Power Technology Program

E. CONTRACT/PR NO.
N0001402-C-0053

F. CONTRACTOR
Ocean Power Technologies, Inc.

1. DATA ITEM NO.
A008

2. TITLE OF DATA ITEM
Technical Report

3. SUBTITLE
Design Requirements Update Report

4. AUTHORITY (Data Acquisition Document No.)

5. CONTRACT REFERENCE
SOW Task 2.7

6. REQUIRING OFFICE
ONR 334

7. DD 250 REQ
DD

9. DIST STATEMENT REQUIRED

10. FREQUENCY
ONE/R

12. DATE OF FIRST SUBMISSION
14 Oct 2003 - See BLK 16

8. APP CODE

11. AS OF DATE

13. DATE OF SUBSEQUENT SUBMISSION
4 Nov 2003 - See BLK 16

14. DISTRIBUTION

ADDRESSEE	b. COPIES Draft	Final REQ	Final REPRO
ONR 254	LT	DD	
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

16. REMARKS
BLK 12: The first submission of the report shall be a draft of the Technical Report. Government comments on the draft report will be returned to the Contractor 7 days prior to the required submission of the Final Technical Report (see BLK 13)
BLK 13: The second submission of the Technical Report shall be a final version that incorporates comments from the Government review of the draft report.

The Final Report shall compile all of the design criteria, assumptions, calculations performed, issues, and resolutions addressed during performance of the contract. All calculations shall be presented in a clear and logical order. The calculation sheets shall be fully annotated in such a manner that government design quality assurance engineers can independently review the assumptions, method and calculation. Each calculation sheet shall include: project title, task title, date, engineer's name, and page number. With each submittal, calculations covering the work performed shall be included. The contractor shall also deliver electronic data file(s) of any simulation model calculations or results.

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- the contractor's name and address,
- the contract number and CDRL number,
- the date of the report, and the period covered by the report.

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G. PREPARED BY
R. L. Brackett

H. DATE
18 July 2003

L. APPROVED BY
P. Furman

J. DATE
18 July 2003

CONTRACT DATA REQUIREMENTS LIST

Form Approved
OMB No. 0704-0188

Public reporting burden for this collection of information is estimated to average 440 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection or information, including suggestions for reducing the burden, to Washington Headquarters Services Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget Paperwork Reduction Project (0704-0188), Washington, DC 20503.

A. CONTRACT LINE ITEM NO. B. EXHIBIT C. CATEGORY:
TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM
Ocean Power Technology Program

E. CONTRACT/PR NO.
N0001402-C-0053

F. CONTRACTOR
Ocean Power Technologies, Inc.

1. DATA ITEM NO.
A009

2. TITLE OF DATA ITEM
Technical Report

3. SUBTITLE
Multi Buoy Design Report

4. AUTHORITY (Data Acquisition Document No.)

5. CONTRACT REFERENCE
SOW Task 2.5

6. REQUIRING OFFICE
ONR 334

7. DD 250 REQ
DD

9. DIST STATEMENT
REQUIRED

10. FREQUENCY
ONE/R

12. DATE OF FIRST SUBMISSION
13 April 2004 - See BLK 16

14. DISTRIBUTION

8. APP CODE

11. AS OF DATE

13. DATE OF SUBSEQUENT SUBMISSION
11 May 2004 - See BLK 16

ADDRESSEE	b. COPIES Draft	Final REQ	Final REPRO
ONR 254	LT	DD	
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

16. REMARKS
BLK 12: The first submission of the report shall be a draft of the Technical Report. Government comments on the draft report will be returned to the Contractor 14 days prior to the required submission of the Final Technical Report (see BLK 13)
BLK 13: The second submission of the Technical Report shall be a final version that incorporates comments from the Government review of the draft report.

The Final Report shall compile all of the design criteria, assumptions, calculations performed, issues, and resolutions addressed during performance of the contract. All calculations shall be presented in a clear and logical order. The calculation sheets shall be fully annotated in such a manner that government design quality assurance engineers can independently review the assumptions, method and calculation. Each calculation sheet shall include: project title, task title, date, engineer's name, and page number. With each submittal, calculations covering the work performed shall be included. The contractor shall also deliver electronic data file(s) of any simulation model calculations or results.

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G. PREPARED BY
R. L. Brackett

H. DATE
18 July 2003

L. APPROVED BY
P. Furman

J. DATE
18 July 2003

CONTRACT DATA REQUIREMENTS LIST

Form Approved
OMB No. 0704-0188

A. CONTRACT LINE ITEM NO. B. EXHIBIT C. CATEGORY:
TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM
Ocean Power Technology Program

E. CONTRACT/PR NO.
N0001402-C-0053

F. CONTRACTOR
Ocean Power Technologies, Inc.

1. DATA ITEM NO.
A010

2. TITLE OF DATA ITEM
Design Drawings

3. SUBTITLE
Multi-Buoy Design Drawings

4. AUTHORITY (Data Acquisition Document No.)

5. CONTRACT REFERENCE
SOW Task 2.9 & 2.10

6. REQUIRING OFFICE
ONR 334

7. DD 250 REQ
DD

9. DIST STATEMENT
REQUIRED

10. FREQUENCY
ONE/R

12. DATE OF FIRST SUBMISSION
13 April 2004 - See BLK 16

8. APP CODE

11. AS OF DATE

13. DATE OF SUBSEQUENT SUBMISSION
11 May 2004 - See BLK 16

14. DISTRIBUTION

ADDRESSEE	Draft	b. COPIES Final REQ	REPRO
ONR 254	LT	DD	
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

16. REMARKS
BLK 12: The first submission of the Design Drawings shall be a draft of the drawings. Government comments on the draft drawings will be returned to the Contractor 14 days prior to the required submission of the Final Design Drawings (see BLK 13)
BLK 13: The second submission of the Design Drawings shall be a final version that incorporates comments from the Government review of the draft drawings.

Final drawings shall be prepared in sufficient detail and presented in such a form that they could be used by an independent reviewer to report the conclusions and assessment of feasibility presented in the Final Design Report. Drawings and specifications shall be coordinated. The terminology used in specifications and drawings shall be identical. All drawings shall be delivered in electronic form and shall be compatible with either .dxf or .pfd file formats. Electronic files shall be delivered on a medium compatible with a 100MB Iomega(R) zip(TM) drive or CD ROM. The electronic drawing files shall be scaled such that when printed they produce size F, 28 x 40 inch full size design drawings

G. PREPARED BY
R.L. Brackett

H. DATE
18 July 2003

L. APPROVED BY
P. Furman

J. DATE
18 July 2003

CONTRACT DATA REQUIREMENTS LIST	Form Approved OMB No. 0704-0188

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A. CONTRACT LINE ITEM NO. B. EXHIBIT C. CATEGORY:
TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM Ocean Power Technology Program	E. CONTRACT/PR NO. N0001402-C-0053	F. CONTRACTOR Ocean Power Technologies, Inc.
1. DATA ITEM NO. A011	2. TITLE OF DATA ITEM Technical Report	3. SUBTITLE Single Buoy Installation Plan
4. AUTHORITY (Data Acquisition Document No.)	5. CONTRACT REFERENCE SOW Task 3.2	6. REQUIRING OFFICE ONR 334

7. DD 250 REQ DD	9. DIST STATEMENT REQUIRED	10. FREQUENCY ONE/R	12. DATE OF FIRST SUBMISSION 25 Mar. 2003 - See BLK 16	14. DISTRIBUTION
8. APP CODE		11. AS OF DATE	13. DATE OF SUBSEQUENT SUBMISSION 30 Sept. 2003 - See BLK 16	

14. DISTRIBUTION

ADDRESSEE	b. COPIES Draft	Final REQ	Final REPRO
ONR 254	LT	DD	
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

16. REMARKS
BLK 12: The first submission of the report shall be a draft of the Technical Report. Government comments on the draft report will be returned to the Contractor 14 days prior to the required submission of the Final Technical Report (see BLK 13)
BLK 13: The second submission of the Technical Report shall be a final version that incorporates comments from the Government review of the draft report.

The Final Report shall compile all of the design criteria, assumptions, calculations performed, issues, and resolutions addressed during performance of the contract. All calculations shall be presented in a clear and logical order. The calculation sheets shall be fully annotated in such a manner that government design quality assurance engineers can independently review the assumptions, method and calculation. Each calculation sheet shall include: project title, task title, date, engineer's name, and page number. With each submittal, calculations covering the work performed shall be included. The contractor shall also deliver electronic data file(s) of any simulation model calculations or results.

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G. PREPARED BY R. L. Brackett	H. DATE 18 July 2003	L. APPROVED BY P. Furman	J. DATE 18 July 2003

CONTRACT DATA REQUIREMENTS LIST — Form Approved OMB No. 0704-0188

A. CONTRACT LINE ITEM NO. B. EXHIBIT C. CATEGORY: TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM: Ocean Power Technology Program
E. CONTRACT/PR NO.: N0001402-C-0053
F. CONTRACTOR: Ocean Power Technologies, Inc.

1. DATA ITEM NO.: A012
2. TITLE OF DATA ITEM: Technical Report
3. SUBTITLE: Single Buoy Test Plan

4. AUTHORITY (Data Acquisition Document No.)
5. CONTRACT REFERENCE: SOW Task 3.2
6. REQUIRING OFFICE: ONR 334

7. DD 250 REQ: DD
9. DIST STATEMENT: REQUIRED
10. FREQUENCY: ONE/R
12. DATE OF FIRST SUBMISSION: 31 July 2003 - See BLK 16

8. APP CODE
11. AS OF DATE
13. DATE OF SUBSEQUENT SUBMISSION: 30 Sept. 2003 - See BLK 16

14. DISTRIBUTION

ADDRESSEE	b. COPIES Draft	Final REQ	Final REPRO
ONR 254	LT	DD	
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

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G. PREPARED BY: R.L. Brackett
H. DATE: 18 July 2003
L. APPROVED BY: P. Furman
J. DATE: 18 July 2003

CONTRACT DATA REQUIREMENTS LIST — Form Approved OMB No. 0704-0188

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A. CONTRACT LINE ITEM NO. B. EXHIBIT C. CATEGORY: TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM Ocean Power Technology Program	E. CONTRACT/PR NO. N0001402-C-0053	F. CONTRACTOR Ocean Power Technologies, Inc.
1. DATA ITEM NO. A013 — 2. TITLE OF DATA ITEM Technical Report		3. SUBTITLE Multi-Buoy Installation Plan
4. AUTHORITY (Data Acquisition Document No.)	5. CONTRACT REFERENCE SOW Task 3.2	6. REQUIRING OFFICE ONR 334

7. DD 250 REQ	9. DIST STATEMENT	10. FREQUENCY	12. DATE OF FIRST SUBMISSION
DD	REQUIRED	ONE/R	11 May 2004 - See BLK 16
8. APP CODE		11. AS OF DATE	13. DATE OF SUBSEQUENT SUBMISSION 1 June 2004 - See BLK 16

14. DISTRIBUTION

ADDRESSEE	b. COPIES Draft	Final REQ	Final REPRO
ONR 254	LT	DD	
ONR 334	1	1	1
NFESC 52	1	1	1
15. TOTAL	2	2	2

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G. PREPARED BY	H. DATE	L. APPROVED BY	J. DATE
R. L. Brackett	18 July 2003	P. Furman	18 July 2003

CONTRACT DATA REQUIREMENTS LIST

Form Approved
OMB No. 0704-0188

A. CONTRACT LINE ITEM NO. B. EXHIBIT C. CATEGORY:
TOP [ ] TM [ ] OTHER [ ]

D. SYSTEM/ITEM
Ocean Power Technology Program

E. CONTRACT/PR NO.
N0001402-C-0053

F. CONTRACTOR
Ocean Power Technologies, Inc.

1. DATA ITEM NO.
A014

2. TITLE OF DATA ITEM
Technical Report

3. SUBTITLE
Multi-Buoy Test Plan

4. AUTHORITY (Data Acquisition Document No.)

5. CONTRACT REFERENCE
SOW Task 3.2

6. REQUIRING OFFICE
ONR 334

7. DD 250 REQ
DD

9. DIST STATEMENT
REQUIRED

10. FREQUENCY
ONE/R

12. DATE OF FIRST SUBMISSION
11 May 2004 - See BLK 16

8. APP CODE

11. AS OF DATE

13. DATE OF SUBSEQUENT SUBMISSION
1 June 2004 - See BLK 16

14. DISTRIBUTION

ADDRESSEE	b. COPIES Draft	Final REQ	Final REPRO
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G. PREPARED BY
R. L. Brackett

H. DATE
18 July 2003

L. APPROVED BY
P. Furman

J. DATE
18 July 2003

FINANCIAL ACCOUNTING DATA SHEET - NAVY

1. CONTRACT NUMBER (CRITICAL)	2. SPIIN (CRITICAL)	3. MOD (CRITICAL)	4. PR NUMBER	PAGE 1 OF 1
N0001402C0053		P00002	03PR07099-00	

6. LINE OF ACCOUNTING

CLIN/SLIN	A. ACRN (Critical)	B. APPROPRIATION (CRITICAL)	C. SUBHEAD (CRITICAL)	D. OBJ CLA	E. PARM	F. RFM	G. SA	H. AAA (CRITICAL)	I. IT	J. PAA	K. COST CODE PROJ UNIT	MCC	PDLI & SUF	7. AMOUNT (CRITICAL)	NAVY INTERNAL USE ONLY REF DOC/ACRN
	AC	1721319	W3DK	255	RA	333	0	068342	2D	000000	09019	000	4KTO	[**]	PR#03PRO7099-00 FRC:34KT

PAGE TOTAL $[**]

GRAND TOTAL $[**]

PREPARED/AUTHORIZED BY:

COMPTROLLER APPROVAL:
FOR FISCAL DATA AND SIGNATURE

BY ______________________________ for COMPTROLLER, ONR CONTRACT REVIEWED

DATE: ________________

DATE: ________________

ONR AWARD FORM (2/00) - version 1.1

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT — CONTRACT ID CODE D0-C9(U) — PAGE 1 OF 2 PAGES

2. AMENDMENT/MODIFICATION NO. P00003
3. EFFECTIVE DATE SEE BLOCK 16C
4. REQUISITION/PURCHASE REQ. NO. 03PR07099-01
5. PROJECT NO. (If applicable) N.A.

6. ISSUED BY CODE N00014

OFFICE OF NAVAL RESEARCH
ONR 254 LEE ARBAIZA (703)696-5389
E-mail arbaizd@onr.navy.mil
BALLSTON CENTRE TOWER ONE
800 NORTH QUINCY STREET
ARLINGTON, VA 22217-5660

7. ADMINISTERED BY (If other than Item 6) CODE S3915A
SCD-C

DCM PHILADELPHIA
PO BOX 11427
700 ROBBINS AVE., BLDG 4A
PHILADELPHIA, PA 19111-0427

8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State, and Zip Code)

OCEAN POWER TECHNOLOGIES INC.
1590 REED ROAD
PENNINGTON, NJ 08534

CODE 04EP7 — FACILITY CODE

(3) 9A. AMENDMENT OF SOLICITATION NO. N.A.
[ ] 9B. DATED (SEE ITEM 11)
[X] 10A. MODIFICATION OF CONTRACT/ORDER NO. N00014-02-C-0053
10B. DATED (SEE ITEM 13) 11-FEB-02

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[ ] The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers [ ] is extended [ ] is not extended.

Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods:
(a) By completing Items 8 and 15, and returning copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)
SEE THE ATTACHED FINANCIAL ACCOUNTING DATA (FAD) SHEET(S)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS, IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

(3) [ ] A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify Authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

[ ] B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).

[ ] C. SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:

[X] D. OTHER (Specify type of modification and authority)
FAR 43.103(a) MUTUAL AGREEMENT OF THE PARTIES

E. IMPORTANT: Contractor [ ] is not, [X] is required to sign this document and return 2 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
SEE PAGE 2.

Except as provided herein, all terms and conditions of the document referenced in item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)
/s/ Deborah A. Montagna
Vice President - Program Management

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)
/s/ Todd T. Hanson
Contracting Officer

15B. CONTRACTOR/OFFEROR
Deborah A. Montagna
(Signature of person authorized to sign)

15C. DATE SIGNED 24 July 2003

16B. UNITED STATES OF AMERICA
Todd T. Hanson
(Signature of Contracting Officer)

16C. DATE SIGNED 25 July 2003

NSN 7540-01-152-8070
PREVIOUS EDITION UNUSABLE
NAVOCNR OVERPRINT (3-99)

30-105

STANDARD FORM 30 (Rev. 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

The purposes of this modification are to: (1) provide for an expansion of the research effort; (2) increase the total amount of the estimated contract consideration in the amount of $1,598,937; (3) modify SECTIONS C and F by extending the period of performance; (4) update SECTION I, Contract Clauses; and (5) modify SECTIONS J and K. Accordingly, the funding cited on the attached Financial Accounting Data Sheet is made available.

Effective as of the date of this Modification:

1. This modification increases the total amount of the contract by $1,598,937, which includes $[**] allotted to estimated cost and $[**] allotted to fixed fee, from $4,075,170 to $5,674,107.

2. Under Section B, entitled "Supplies or Services and Prices/Costs," Item 0001 is revised as follows:

ITEM NO.	SUPPLIES/SERVICES	EST. COST	FIXED FEE	TOTAL CPFF
0001	The Contractor shall furnish the necessary personnel and facilities to conduct the research effort as described in SECTION C. 000101 ACRN: AA $[**] 000102 ACRN: AC $[**] 000103 ACRN: AD $1,598,937	$ [**]	$ [**]	$ [**]
0002	Reports and Data in accordance with Exhibit A (DD Form 1423)	NSP	NSP	NSP
0003	OPTION 1 - Wave Tank Test 2; Validate Numerical Models	$ 99,850	$ 5,991	$ 105,841
0004	OPTION 2- On-going Ocean Test--Continue Monitoring 000401 ACRN: AC $[**]	$107,979	$ 6,479	$ 114,458
0005	OPTION 3- Complete System Removal 000501 ACRN: AA $[**] 000502 ACRN: AB $[**]	$259,984	$15,599	$ 275,583
TOTAL ESTIMATED CONTRACT CONSIDERATION:		$ [**]	$ [**]	$5,674,107

3. The funds available for performance of this contract are increased by $1,598,937--the amount set forth in the attached Financial Accounting Data sheet(s).

4. Under SECTION C - DESCRIPTION/SPECIFICATIONS/WORK STATEMENT, revise to read as follows:

   1. ITEM 0001 - The contractor shall conduct the work in accordance with the attached Statement of Work, entitled "The Wave Energy Technology (WET) Buoy 2 Program." The duration of effort will be eighteen months from the date of award of this modification.

5. Under SECTION F - DELIVERIES OR PERFORMANCE, revise paragraph 1 to extend the period of performance by eighteen (18) months as follows:

   ITEM 0001 - The research effort performed under this contract shall be conducted from the date of contract execution (reference Block 20C on the first page of the contract) through eighteen (18) months after the date of execution of Modification No. P00003 (reference Block 16C on the first page of the modification). A final report will be prepared, submitted, reproduced and distributed within sixty (60) days unless the contract is extended, in which case the final report will be prepared in accordance with the terms of such extension.

6. Under SECTION G - CONTRACT ADMINISTRATION DATA, the paragraph entitled "Allotment of Funds" is revised to read as follows:

   "Allotment of Funds"

   It is hereby understood and agreed that this contract will not exceed a total amount of $5,674,107, which includes $[**] allotted to estimated cost and $[**] allotted to fixed fee.

   CLIN 0001 is fully funded.

   CLIN 0004 is incrementally funded in the amount of $[**], which includes $[**] allotted to estimated cost and $[**] allotted to fixed fee.

   CLIN 0005 is incrementally funded in the amount of $[**] which includes $[**] allotted to estimated cost and $[**] allotted to fixed fee.

7. Under SECTION I -CONTRACT CLAUSES, update as follows:

SECTION I - CONTRACT CLAUSES - COST PLUS FIXED FEE (JUNE 2002)

SECTION I-1 - CLAUSES INCORPORATED BY REFERENCE

FEDERAL ACQUISITION REGULATION (48 CFR CHAPTER 1) CLAUSES:

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at these addresses:
http://www.arnet.gov/far/,
http://farsite.hill.af.mil/farsite_scripthtml,
http://web1.deskbook.osd.mil/htmlfiles/DBY_far.asp, or
http://web1.deskbook.osd.mil/htmlfiles/DBY_dfars.asp

(A) FAR 52.252-02 CLAUSES INCORPORATED BY REFERENCE (FEB 1998)

All of the clauses listed below are either required by regulation or are required when the circumstances of the contract warrant that they apply. For instance, a dollar threshold may trigger the applicability of the clause or a certain condition of the research may trigger the applicability of the clause. In order to provide some assistance, as to when a dollar threshold triggers a clause, we have associated certain symbols with dollar thresholds. The symbols and their appropriate dollar thresholds are as follows:

*	Applies when contract action exceeds $10,000
**	Applies when contract action exceeds $100,000
+	Applies when contract action exceeds $500,000
++	Applies when contract action exceeds $500,000 and subcontracting possibilities exist. Small Business Exempt.
X	(DD 250)
XX	Not applicable

The clauses that generally flow down to educational institutions when they are the subcontractors to a commercial prime contractor are indicated with the following symbol: @. The clauses in the section using the flow-down symbol indicator: @, reflect the content of a model contract award to a commercial prime contractor and identify the clauses that are to be flowed-down. An explanation as to why the clauses are flowed down to the education institution is provided in Attachment Number 1. The content of the following Attachment Number 1 model details only the clauses that flow-down to educational institutions either as required by regulation or as required when circumstances of the contract warrant that they apply. Clauses applicable to the commercial prime contractor are not included in the Attachment Number 1 model.

I. FEDERAL ACQUISITION REGULATION (FAR) (48 CFR CHAPTER 1) CLAUSES:

	FAR SOURCE	TITLE AND DATE
**	FAR 52.202-1	Definitions (DEC 2001)
**	FAR 52.203-3	Gratuities (APR 1984)
**	FAR 52.203-5	Covenant Against Contingent Fees (APR 1984)
**	FAR 52.203-6	Restrictions on Subcontractor Sales to the Government (JUL 1995)
**	FAR 52.203-7	Anti-Kickback Procedures (JUL 1995)
**	FAR 52.203-8	Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity (JAN 1997)
**	FAR 52.203-10	Price or Fee Adjustment for Illegal or Improper Activity (JAN 1997)

	FAR SOURCE	TITLE AND DATE
	FAR 52.203-12	Limitation on Payments to Influence Certain Federal Transactions (JUN 1997)
**	FAR 52.204-4	Printing/Copying Double-Sided on Recycled Paper (AUG 2000)
	FAR 52.211-15	Defense Priority and Allocation Requirements (SEP 1990)
**	FAR 52.215-2	Audit and Records - Negotiation (JUN 1999) and Alternate II (APR 1998)(Alternate II is applicable with cost reimbursement contracts with State and local Governments, educational institutions, and other non-profit organizations.)
	FAR 52.215-8	Order of Precedence - Uniform Contract Format (OCT 1997)
+	FAR 52.215-10	Price Reduction for the Defective Cost or Pricing Data (OCT 1997) (The clause is applicable to subcontracts over $550,000.)
+	FAR 52.215-12	Subcontractor Cost or Pricing Data (OCT 1997) (Applicable to subcontracts over $550,000 only)
**	FAR 52.215-14	Integrity of Unit Prices (OCT 1997) and Alternate I (OCT 1997) (Alternate I is applicable if the action is contracted under Other Than Full and Open Competition)
+	FAR 52.215-15	Pension Adjustments and Asset Reversions (DEC 1998)
+	FAR 52.215-18	Reversion or Adjustment of Plans for Postretirement Benefits (PRB) Other than Pensions (OCT 1997)
+	FAR 52.215-19	Notification of Ownership Changes (OCT 1997) (Applicable when Cost or Pricing Data is required)
	FAR 52.216-7	Allowable Cost and Payment (FEB 2002)
	FAR 52.216-8	Fixed Fee (MAR 1997)
**	FAR 52.219-4	Notice of Price Evaluation Preference for HUBzone Small Business Concerns(JAN 1999)
**	FAR 52.219-8	Utilization of Small Business Concerns (OCT 2000)
++	FAR 52.219-9	Small Business Subcontracting Plan (JAN 2002)
++	FAR 52.219-16	Liquidated Damages - Subcontracting Plan (JAN 1999)
	FAR 52.222-1	Notice to the Government of Labor Disputes (FEB 1997)
**	FAR 52.222-2	Payment for Overtime Premiums (JUL 1990) (Note: The word "zero" is inserted in the blank space indicated by an asterisk)
	FAR 52.222-3	Convict Labor (AUG 1996) (Reserved when FAR 52.222-20 Walsh Healy Public Contracts Act is applicable)
**	FAR 52.222-4	Contract Work Hours and Safety Standards Act -Overtime Compensation (SEP 2000)
	FAR 52.222-21	Prohibition of Segregated Facilities (FEB 1999)

	FAR SOURCE	TITLE AND DATE
	FAR 52.222-26	Equal Opportunity (APR 2002)
*	FAR 52.222-35	Equal Opportunity for Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans (DEC 2001 1998)
*	FAR 52.222-36	Affirmative Action for Workers with Disabilities (JUN 1998)
*	FAR 52.222-37	Employment Reports on Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans (DEC 2001)
**	FAR 52.223-14	Toxic Chemical Release Reporting (OCT 2000)
	FAR 52.225-13	Restrictions on Certain Foreign Purchases (JUL 2000)
**	FAR 52.227-1	Authorization and Consent (JUL 1995) and Alternate I (APR 1984)
**	FAR 52.227-2	Notice and Assistance Regarding Patent and Copyright Infringement (AUG 1996)
	FAR 52.228-7	Insurance Liability to Third Persons (MAR 1996) (Further to paragraph (a)(3), unless otherwise stated in this contract, types and limits of insurance required are as stated in FAR 28.307-2)
	FAR 52.232-9	Limitation on Withholding of Payments (APR 1984)
**	FAR 52.232-17	Interest (JUN 1996)
	FAR 52.232-23	Assignment of Claims (JAN 1986) and Alternate I (APR 1984)
	FAR 52.232-25	Prompt Payment (FEB 2002) and Alternate I (FEB 2002) (The words "the 30th day" are inserted in lieu of "the 7th day" at (a)(5)(i). [When Alternate I is applicable (a)(5)(i) does do not apply] [Alternate I applies when awarding a cost reimbursement contract for services]
	FAR 52.232-33	Payment by Electronic Funds Transfer - Central Contractor Registration (MAY 1999)
	FAR 52.233-1	Disputes (JULY 2002)
	FAR 52.233-3	Protest After Award (AUG 1996) and Alternate I (JUN 1985)
	FAR 52.242-1	Notice of Intent to Disallow Costs (APR 1984)
+	FAR 52.242-3	Penalties for Unallowable Costs (MAY 2001)
	FAR 52.242-4	Certification of Final Indirect Costs (JAN 1997)
**	FAR 52.242-13	Bankruptcy (JUL 1995)
	FAR 52.242-15	Stop Work Order (AUG 1989) and Alternate I (APR 1984)
	FAR 52.244-2	Subcontracts (AUG 1998) and Alternate I (AUG 1998) [Insert in cost-reimbursement contracts, and letter, time-and-material, and labor-hour contracts exceeding SAP, and fixed price contracts exceeding SAP where unpriced actions are anticipated. Use Alternate I for cost-rembursement contracts]
**	FAR 52.244-5	Competition in Subcontracting (DEC 1996)

	FAR SOURCE	TITLE AND DATE
	FAR 52.244-6	Subcontracts for Commercial Items and Commercial Components (APR 2002)
	FAR 52.245-5	Government Property (Cost-Reimbursement, Time-and-Materials, or Labor-Hour Contracts) (JAN 1986) and ALT I (JUL 1985) (As modified by DoD Class Deviation 99-00008 dated 13 July 1999) (ALT I is applicable if the contractor is a nonprofit organization whose primary purpose is the conduct of scientific research)
**	FAR 52.247-64	Preference for Privately Owned U.S. Flag Commercial Vessels (JUN 2000)
	FAR 52.249-6	Termination (Cost-Reimbursement) (SEP 1996)
	FAR 52.249-14	Excusable Delays (APR 1984)
	FAR 52.251-1	Government Supply Sources (APR 1984)
	FAR 52.253-1	Computer Generated Forms (JAN 1991)

II DEPARTMENT OF DEFENSE FAR SUPPLEMENTAL (DFARS) (48 CFR CHAPTER 2) CLAUSES:

	DFARS SOURCE	TITLE AND DATE
**	DFARS 252.203-7001	Prohibition On Persons Convicted of Fraud or Other Defense-Contract-Related Felonies (MAR 1999)
	DFARS 252.204-7003	Control of Government Work Product (APR 1992)
	DFARS 252.204-7004	Required Central Contractor Registration (NOV 2001)
**	DFARS 252.209-7000	Acquisition from Subcontractors subject to On-Site Inspection under the Intermediate Range Nuclear Forces (INF) Treaty (NOV 1995)
**	DFARS 252.209-7004	Subcontracting with Firms That Are Owned or Controlled by the Government of a Terrorist Country (MAR 1998)
+	DFARS 252.215-7000	Pricing Adjustments (DEC 1991)
++	DFARS 252.219-7003	Small, Small Disadvantaged and Women-owned Small Business Subcontracting Plan (DoD Contracts) (APR 1996)
**	DFARS 252.225-7012	Preference for Certain Domestic Commodities (APRIL 2002)
	DFARS-252.225-7031	Secondary Arab Boycott of Israel (JUN 1992)
XX	DFARS 252.227-7013	Rights in Technical Data - Noncommercial Items (NOV 1995), and Alternate I (JUN 1995)
XX	DFARS 252.227-7014	Rights In Noncommercial Computer Software and Noncommercial Computer Software Documentation (JUN 1995)
	DFARS 252.227-7016	Rights in Bid or Proposal Information (JUN 1995)
	DFARS 252.227-7019	Validation of Asserted Restrictions --

	DFARS SOURCE	TITLE AND DATE
		Computer Software (JUN 1995)
	DFARS 252.227-7025	Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends (JUN 1995)
	DFARS 252.227-7028	Technical Data or Computer Software Previously Delivered to the Government (JUN 1995)
	DFARS 252.227-7030	Technical Data - Withholding of Payment (MAR 2000)
	DFARS 252.227-7036	Declaration of Technical Data Conformity (JAN 1997)
	DFARS 252.227-7037	Validation of Restrictive Markings on Technical Data (SEP 1999)
	DFARS 252.231-7000	Supplemental Cost Principles (DEC 1991)

	FAR SOURCE	TITLE AND DATE
	DFARS 252.242-7000	Post-Award Conference (DEC 1991)
**	DFARS 252.243-7002	Requests for Equitable Adjustment (MAR 1998)
	DFARS 252.245-7001	Reports of Government Property (MAY 1994)
X	DFARS 252.246-7000	Material Inspection and Receiving Report (DEC 1991)
	DFARS 252.251-7000	Ordering from Government Supply Sources (OCT 2002)
**	DFARS 252.247-7023	Transportation of Supplies by Sea (MAY 2000)
**	DFARS 252.247-7024	Notification Of Transportation Of Supplies By Sea (MAR 2000) (Applicable when the Contractor has made a negative response to the inquiry in the representation at DFARS 252.247-7022.)

(B) ADDITIONAL FAR AMD DFARS CLAUSES

This contract incorporates one or more clauses by reference as indicated by the mark of (X), with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the foil text of a clause may be accessed electronically at this address: http://www.arnet.gov/far/

	FAR SOURCE	TITLE AND DATE
	FAR 52.204-2	Security Requirements (AUG 1996) (Applicable if contract will generate or require access to classified information and DD Form 254, Contract Security Classification Specification, is issued to the contractor)
X	FAR 52.209-6	Protecting the Government's Interest when Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment (JUL 1995) (Applicable to contracts exceeding $25,000 in value.)
X	FAR 52.215-17	Waiver of Facilities Capital Cost of Money (OCT

	FAR SOURCE	TITLE AND DATE
		1997) (Applicable if the Contractor did not propose facilities capital cost of money in the offer)
	FAR 52.215-20	Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data (OCT 1997) (Applicable if cost or pricing data or information other than cost or pricing data are required)
X	FAR 52.215-21	Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data - Modifications (OCT 1997) (Applicable if cost or pricing data or information other than cost or pricing data will be required for modifications)
	FAR 52.217-9	Option to Extend the Term of the Contract (MAR 2000) (In paragraph (a), insert "," and in paragraph (c), insert"") (Applicable if contract contains line item(s) for option(s))
	FAR 52.219-3	Notice of Total HUBZone Set-Aside (JAN 1999)
	FAR 52.219-5	Very Small Business Set-Aside (MAR 1999) (For actions between $2,500 and $50,000)
	FAR 52.219-6	Notice of Total Small Business Set-Aside (JUL 1996), and Alternate I (OCT 1995) (Applicable to total small business set-asides, including SBIR)
	FAR 52.219-7	Notice of Partial Small Business Set-Aside (JUL 1996) and Alternate I (OCT 1995)
	FAR 52.219-10	Incentive Subcontracting Program (OCT 2001) (Applicable at the PCO's discretion to contract actions exceeding $500,000 and when subcontracting possibilities exist. The clause is small business exempt) (In paragraph (b), insert the appropriate number between 0 and 10 - "0")
	FAR 52.219-25	Small Disadvantaged Business Participation Program - Disadvantaged Status and Reporting (OCT 1999) (Applicable if contract includes FAR 52.219-24)
	FAR 52.219-26	Small Disadvantaged Business Participation Program - Incentive Subcontracting Program (OCT 2000) (Applicable at the PCO's discretion to contract actions exceeding $500,000 and when subcontracting possibilities exist. The clause is small business exempt) (In paragraph (b), insert the appropriate number between 0 and 10 - "0")
	FAR 52.222-20	Walsh Healy Public Contracts Act (DEC 1996) (Applicable if the contract includes deliverable materials, supplies, articles or equipment in an amount that exceeds or may exceed $10,000)

	FAR SOURCE	TITLE AND DATE
	FAR 52.223-5	Pollution Prevention and Right-to-Know Information (APR 1998) (Applicable if contract provides for performance, in whole or in part, on a Federal facility)
X	FAR 52.223-6	Drug-Free Workplace (MAY 2001) (Applies when contract action exceeds $100,000 or at any value when the contract is awarded to an individual)
X	FAR 52.227-20	Rights in Data - SBIR Program (Mar 1994)
	FAR 52.230-2	Cost Accounting Standards (APR 1998) (Applicable when contract amount is over $500,000, if contractor is subject to full CAS coverage, as set forth in 48 CFR Chapter 99, Subpart 9903.201-2(a) (FAR Appendix B)
	FAR 52.230-3	Disclosure and Consistency of Cost Accounting Practices (APR 1998) (Applicable when contract amount is over $500,000 but less than $25 million, and the offerer certifies it is eligible for and elects to use modified CAS coverage as set forth in 48 CFR Chapter 99, Subpart 9903.201-2 (FAR Appendix B)
	FAR 52.230-6	Administration of Cost Accounting Standards (NOV 1999) (Applicable if contract is subject to either clause at FAR 52.230-2, FAR 52.230-3 or FAR 52.230-5)
X	FAR 52.232-20	Limitation of Cost (APR 1984) (Applicable only when contract action is fully funded)
X	FAR 52.232-22	Limitation of Funds (APR 1984) (Applicable only when contract action is incrementally funded)
	FAR 52.239-1	Privacy or Security Safeguards (AUG 1996) (Applicable to contracts for information technology which require security of information technology, and/or are for the design, development, or operation of a system of records using commercial information technology services or support services.)
	FAR 52.245-18	Special Test Equipment (FEB 1993) Applicable when it is anticipated that the contractor will acquire or fabricate special test equipment but the exact identification of the equipment is not known)
	DFARS 252.203-7002	Display of DoD Hotline Poster (DEC 1991) (Applicable only when contract action exceeds $5 million or when any modification increases contract amount to more than $5 million)
	DFARS 252.204-7000	Disclosure of Information (DEC 1991) (Applies when Contractor will have access to or generate

	FAR SOURCE	TITLE AND DATE
		unclassified information that may be sensitive and inappropriate for release to the public)
	DFARS 252.204-7005	Oral Attestation of Security Responsibilities (NOV 2001) (Applicable if FAR 52.204-2, Security Requirements Applies)
X	DFARS 252.205-7000	Provision of Information to Cooperative Agreement Holders (DEC 1991) (Applicable only when contract action exceeds $500,000 or when any modification increases total contract amount to more than $500,000)
X	DFARS 252.215-7002	Cost Estimating System requirements (Oct 1998) (Applicable only to contract actions awarded on the basis of certified cost or pricing data)
	DFARS 252.223-7004	Drug-Free Work Force (SEP 1988) (Applicable (a) if contract involves access to classified information: or (b) when the Contracting Officer determines that the clause is necessary for reasons of national security or for the purpose of protecting the health or safety of performance of the contract.
	DFARS 252.223-7006	Prohibition on Storage and Disposal of Toxic and Hazardous Materials (APR 1993) (Applicable if work requires, may require, or permits contractor performance on a DoD installation)
	DFARS 252.225-7001	Buy American Act and Balance of Payments Program (MAR 1998) (Applicable if the contract includes deliverable supplies) (This clause does not apply if an exception to the Buy American Act or Balance of Payments Program is known or if using the clause at 252.225-7007, 252.225-7021, or 252.225-7036.)
	DFARS 252.225-7002	Qualifying Country Sources as Subcontractors (DEC 1991) (Applicable when clause at DFARS 252.225-7001, 252.227-7007, 252.227-7021, or 252.227-7036 applies)
	DFARS 252.225-7007	Buy American Act -- Trade Agreements - Balance of Payments Program (OCT 2002) (Use instead of FAR 52.225-5, Trade Agreements (Include in contracts valued at $186,000 or more, if the Trade Agreements Act applies (see 25.401 and 25.403) and the agency has determined that the restrictions of the Buy American Act or Balance of Payments Program are not applicable to U.S.-made end products, unless the acquisition is to be awarded and performed outside the United States in support of a contingency operation or a humanitarian or peacekeeping operation and does not exceed the increase simplified acquisition

	FAR SOURCE	TITLE AND DATE
		threshold of $200,000.) The clause need not be used where purchase from foreign sources is restricted (see 225.401 (b)(ii)). The clause may be used where the contracting officer anticipates a waiver of the restriction.)
	DFARS 252.225-7008	Supplies to be Accorded Duty-Free Entry (MAR 1998) (Applicable when the contract provides for duty-free entry and includes FAR 52.225-8 - Duty-Free Entry)
	DFARS 252.225-7009	Duty-Free Entry - Qualifying Country Supplies (End Products and Components) (AUG 2000) (Applicable if contract includes deliverable supplies)
	DFARS 252.225-7010	Duty-Free Entry - Additional Provisions (AUG 2000) (Applicable when FAR 52.225-8 - Duty-Free Entry is included in the contract.)
	DFARS 252.225-7016	Restriction On Acquisition Of Ball And Roller Bearings (DEC 2000) (Applicable if contract includes deliverable supplies, unless Contracting Officer knows that items being acquired do not contain ball or roller bearings)
X	DFARS 252.225-7026	Reporting of Contract Performance Outside the United States (JUN 2000) (Applicable only when contract value exceeds $500,000 or when any modification increases contract value to more than $500,000)
	DFARS 252.226-7001	Utilization of Indian Organizations and Indian-Owned Economic Enterprises (SEP 2001) [(Applicable if FAR Part 12 is not used, and for supplies and services (but not R&D) expected to exceed SAP thresholds) (This Final Rule replaces FAR 52.226-1 (JUN 2000) via DFARS Chg Ntc 200205311
X	DFARS 252.227-7018	Rights in Noncommercial Technical Data and Computer Software - Small Business Innovation Research (SBER) Program (JUN 1995) (Applicable when technical data or computer software will be generated during performance of contracts under the SBIR Program)
X	DFARS 252.242-7004	Material Management and Accounting System (DEC 2000) (Applicable to contract actions exceeding $100,000) (Not applicable to contracts set aside for exclusive participation by small business and small disadvantaged business concerns)

C. COST-PLUS-FIXED-FEE-RESEARCH AND DEVELOPMENT CLAUSES

The following FAR and DFARS clauses apply to Cost-Plus-Fixed-Fee Research and Development Contracts and are either required by regulation or are required when the circumstances of the contract warrant that they apply: (** - applies to contract actions exceeding $100,000)

	FAR SOURCE	TITLE AND DATE
	FAR 52.225-16	Sanctioned European Union Country Services (FEB 2000)
**	FAR 52.227-1	Authorization and Consent (JUL 1995) and Alternate I (APR 1984)
	FAR 52.243-2	Changes - Cost Reimbursement (AUG 1987) and Alternate V (APR 1984)
	FAR 52.246-9	Inspection of Research and Development (Short Form) (APR 1984)
	FAR 52.246-23	Limitation of Liability (FEB 1997)
	DFARS 252.235-7002	Animal Welfare (DEC 1991)
	DFARS 252.235-7011	Final Scientific or Technical Report (SEP 1999)

The following FAR and DFARS clauses for Cost-Plus-Fixed-Fee Research and Development Contracts only apply when specifically marked with a check (x):

	FAR SOURCE	TITLE AND DATE
	FAR 52.227-10	Filing of Patent Applications - Classified Subject Matter (APR 1984) (Applicable if contract is subject to FAR clause 52.204-02 and either 52.227-11 or 52.227-12)
X	FAR 52.227-11	Patent Rights - Retention by the Contractor (Short Form) (JUN 1997) (Applicable if contractor is a small business or non profit organization)

OR

	FAR SOURCE	TITLE AND DATE
	FAR 52.227-12	Patent Rights - Retention by the Contractor (Long Form) (JAN 1997) (Applicable if contractor is a large business)
X	DFARS 252.227-7034	Patents - Subcontracts (APR 1984) (Applicable when FAR 52.227-11 applies)
X	DFARS 252.227-7039	Patents - Reporting of Subject Inventions (APR 1990) (Applied when FAR 52.227-11 applies)

8. Under SECTION J-LIST OF ATTACHMENTS, add the following:

   (a) ATTACHMENT NUMBER (2), entitled, "Financial Accounting Data Sheet."

   (b) ATTACHMENT NUMBER (3), entitled, "STATEMENT OF WORK - THE DIRECTED BLAST WARHEAD."

9. Under SECTION K - REPRESENTATIONS, CERTIFICATIONS AND OTHER STATEMENTS OF OFFEROR, modify as follows:

   The Contractor's Representations and Certifications, dated 09 July 2003, are hereby incorporated into this contract by reference.

10. All other terms and conditions remain unchanged and in full force and effect.

FINANCIAL ACCOUNTING DATA SHEET - NAVY

1. CONTRACT NUMBER (CRITICAL)	2. SPIIN (CRITICAL)	3. MOD (CRITICAL)	4. PR NUMBER	PAGE 1 OF 1
N0001402C0053		P00003	03PR07099-00	

6. LINE OF ACCOUNTING

CLIN/SLN	A. ACRN (Critical)	B. APPROPRIATION (CRITICAL)	C. SUBHEAD (CRITICAL)	D. OBJ CLA	E. PARM	F. RFM	G. SA	H. AAA (CRITICAL)	I. IT	J. PAA	K. COST CODE PROJ UNIT	MCC	PDLI & SUF	7. AMOUNT (CRITICAL)	NAVY INTERNAL USE ONLY REF DOC/ACRN
	AD	1731319	W3DK	255	RA	333	0	068342	2D	000000	09019	000	4KTO	$1,598,937.00	PR#03PRO7099-01 FRC: 34KT

PAGE TOTAL $1,598,937.00

GRAND TOTAL $1,598,937.00

PREPARED/AUTHORIZED BY:

COMPTROLLER APPROVAL:
FOR FISCAL DATA AND SIGNATURE

BY ________________ for COMPTROLLER, ONR CONTRACT REVIEWED

DATE:

DATE:

ONR AWARD FORM (2/00) - version 1.1

ATTACHMENT 2

STATEMENT OF WORK

TASK GROUP 1.0: DESIGN PHASE

1.1 Preparation of Design Requirements - OPT will prepare a document that states the requirements of the WEC system hardware and controls in order to guide design work. The design requirements document prepared in earlier work may be used as a template or baseline if deemed adequate or helpful in this purpose. OPT will solicit input from the project team in the preparation of the design requirements.

1.2 Preparation of Test Requirements - OPT will prepare a test requirements document that will identify what is to be tested, how it is to be tested, how the data is to be managed, and analyzed and the sampling rate. OPT will solicit input from the project team in the preparation of the test requirements.

1.3 Review of 1st Buoy Program- OPT and the project team will review the results of the work performed under the PHEPS and OP Technology Programs. Program reviews, status reports, engineering reports, engineering drawings, and simulation studies will be examined in an effort to transfer knowledge gained towards new work.

1.4 Mechanical Design and Creation of Fabrication Drawings - This task includes the design of [**]. The [**] and be positioned in close proximity [**]. This task also includes the mechanical design time necessary to make slight modifications to the WEC as deemed appropriate by the project team. Reviews with fabricators and suppliers will be held to insure manufacturability and cost effective design. This task will include the conversion of the design to detailed fabrication drawings.

1.5 Electrical System Design - OPT will engage in engineering work to plan for the [**]. OPT will determine any modifications necessary for [**] system. This will focus primarily on any changes required to the [**]. OPT will review the existing system design and any relevant performance information arising from the test of the [**]. This engineering work will also form the basis for procedures necessary to do the connection and power-up steps during the test phase. For the [**], OPT will prepare calculations and specifications for the power cables.

1.6 System Control and Data Acquisition System Modifications - OPT will develop a modified system control algorithm that encompasses the [**] with its data collection and power integration features necessary for system operation and test.

1.7 Circuit Design and Hardware Specifications - Based on the electrical and control system designs, OPT will specify the [**] wiring circuits to connect power and data from [**] to the respective [**] connections to enable an integration of the [**]. Connectors and wiring specifications will be produced for these connections.

1.8 Electrical System FMEA and Review - A Failure Modes and Effects Analysis of the power and control system will be conducted. A design review of the electrical and control systems will be conducted by the project team.

Task Group 2.0: Ocean Test Preparation

2.1 Installation and Test Plans - Detailed plans for the installation and testing phases of the project based on plans previously developed on the existing OP Technology contract will be drafted by OPT and its contractors and circulated to the project team for feedback, leading up to a review of such plans. Installation plans will include assimilation of ocean condition persistence data for scheduling, methods and equipment suitability. The plans will be in sufficient detail to denote responsibilities, communications, methods, equipment, contingencies, and timing. The project team will participate in an installation and test plans review; necessary contractors will be involved. The purpose of the review is to insure that the ocean test and installation plans have been established to meet the objectives of the project and are within the cost budget and schedule, within appropriate risk limits, are complete to insure success, contain contingency plans, and conform to applicable safety and environmental considerations and appropriate industry practices.

2.2 System Procurement & Fabrication - This task includes activities involved in procurement, fabrication, supplier and QA management. For major expense items, where possible, requests for quote will be distributed to multiple suppliers in order to procure at the lowest possible cost. Long lead-time items will be identified and follow a staggered assembly and deployment plan to allow the final installation and ocean test schedules to be met.

2.3 [**], Power Take-Off and Control System In House Test - The power take-off and control systems components will be assembled [**] and pre-tested for system performance at OPT.

2.4 Final Assembly and Test at Staging Area - All power conversion equipment will be shipped to the prime fabricator for final assembly into the WEC system. Final system testing at that stage will be conducted to insure mechanical system tolerances and key moving components are to specification. Integration of the control system with cables and connectors to the WEC will be performed.

2.5 Site Preparations - Diver inspection of the sub-sea site for the anchor will be conducted during the routine inspection on the existing OP Technology contract.

2.6 Pre-deployment Review - Prior to deployment, an on-site review by members of the project team will be held that covers the objectives, methods, equipment, safety, and contingency procedures intended with respect to the installation and test plans. This will include review of any approvals by local authorities.

Exhibit 10.18

AGREEMENT
FOR

RENEWABLE ENERGY ECONOMIC DEVELOPMENT GRANTS

BETWEEN

STATE OF NEW JERSEY

NEW JERSEY BOARD OF PUBLIC UTILITIES

AND

OCEAN POWER TECHNOLOGIES, INC.
1590 REED ROAD
PENNINGTON, NJ 08534

AWARD NUMBER
2

TABLE OF CONTENTS

II. GENERAL TERMS AND CONDITIONS

A. PARTIES

Whereas, Ocean Power Technologies, Inc. (hereinafter "award recipient"), with its principal place of business located at 1590 Reed Road, Pennington, New Jersey, has been selected by the New Jersey Board of Public Utilities (hereinafter "BPU") to receive a grant award under the Renewable Energy Economic Development Program (hereinafter "REED Program").

Award recipient and the BPU, intending to be legally bound hereto, accept and agree to abide by the following terms and conditions set forth in this Agreement and the proposal submitted by award recipient under the competitive solicitation entitled Ocean Demonstration of Next Generation Powerbuoy (hereinafter referred to as the "proposal").

B. ELIGIBILITY

Award recipient represents and warrants that it is an incorporated organization, with its principal place of business located and registered to do business in the State of New Jersey on the date of execution of this Agreement. Award recipient represents and warrants that it is duly organized, validly existing, and in good standing under the laws of the State of New Jersey as of the time of execution of this agreement. Award recipient agrees that any product development or process improvement activities that result from this funding, will occur in its majority within New Jersey as outlined in the proposal. Award recipient agrees that it will maintain its primary place of business and principal operations in New Jersey, during the funding period and until all obligations under this agreement have been satisfied, unless otherwise agreed by the BPU. Violation of this provision without express written approval of the BPU constitutes default under this Agreement and may result in penalties pursuant to section I.K. herein.

C. CORPORATE AUTHORITY

Award recipient represents and warrants that it has the corporate power and authority and legal right to execute and perform its obligations under this Agreement and that it has taken all necessary corporate action to authorize its execution and performance of obligations under this Agreement.

D. ENTITLEMENT TO FUNDS

Upon execution of this Agreement, award recipient shall be entitled to receive a total of $499,486 in funding (hereinafter "award") from the BPU, subject to the terms and conditions stated herein, for the purposes set forth in the proposal, Attachment "A".

E. PAYMENT OF FUNDS BY BPU

Payment of funds for this award shall be made to award recipient upon receipt by the BPU of a properly executed copy of this Agreement, signed by an authorized officer of the award recipient. The BPU will advance funds to award recipient in an amount equal to fifty percent (50%) of this award, within thirty (30) days of receipt of a properly executed agreement. The remaining fifty percent (50%) of the award to be provided in equal payments during the next 6 quarters providing that award recipient continues to perform the work specified in the proposal to the satisfaction of the BPU.

The period of funding shall be from the start date of December 1, 2003, to the projected date of conclusion of the award supported activities (the "ending date"), which shall be May 31, 2005.

F. AVAILABILITY OF FUNDS

The parties recognize and agree that initial and continued funding for this award is expressly dependent upon the availability to BPU of funds appropriated by or through the New Jersey Clean Energy Program or other such funding sources as may be applicable for the REED program. The BPU shall not be held liable for any breach of this agreement because of the absence of available funding appropriations.

G. INTELLECTUAL PROPERTY

Award recipient warrants and represents that it owns or holds licenses for the use of all patents, trademarks, trade names, service marks, copyrights, and franchise and marketing rights or rights in any of the foregoing, as is necessary to engage in the award related activities. Any such patents trademarks, trade names, service marks, copyrights, and franchise and marketing rights or rights in any of the foregoing which result from the award supported activities shall be the property of award recipient.

H. PUBLICITY POLICY

All publications resulting from publicity releases concerning award related activities shall acknowledge the support of the BPU and the New Jersey Clean Energy Program and award recipient shall coordinate all publicity for award related activities through the BPU project manager.

I. COMPLIANCE WITH EXISTING LAWS

Award recipient agrees to comply with and require all contractors and consultants used by it in relation to the award supported activities to comply with all federal, state and municipal laws, rules and regulations applicable to all activities performed by award recipient in pursuit of and in relation to award supported activities. Specifically, and without limitation, award recipient agrees to comply with and require all contractors and consultants used by it in pursuit of and in relation to the award supported activities to comply with the requirements of N.J.A.C. 17:27 et. seq. (Affirmative Action Rules), where applicable, P.L. 1975, c.127 (N.J.S.A 10:5-31 et. seq.) (Equal Opportunity in Public Works Contracts), where applicable, and all implementing regulations, and the Americans With Disabilities Act and implementing regulations and guidelines, where applicable. Failure to comply with these or any other applicable laws, rules or regulations shall be grounds for termination of this Agreement.

J. CONFLICT OF INTEREST

Award recipient agrees to abide by the provisions of N.J.S.A 52:13D et seq.(the New Jersey State Employees Conflict of Interest Law) governing activities between award recipient and state officials, employees, special state officers and members of the Legislature. The provisions of N.J.S.A 52:13D et seq. are incorporated herein in their entirety, by reference thereto. Award recipient represents and warrants that it has not and will not at any time in the future act in violation of said statutory provisions. Any violation of said prohibitions shall render award recipient liable to debarment in the public interest.

K. REMEDIES

The following definitions shall apply for the purposes of this section:

Termination -- the termination of an award means the cancellation of an award, in whole or in part, at any time prior to the date of completion.

Suspension -- the suspension of an award is an action by the BPU, which temporarily suspends funding under the award, pending corrective action by award recipient or pending a decision to terminate the award by the BPU.

Disallowed costs -- are those charges to the program which the BPU or its representatives determine to be beyond the scope of the purpose of the award supported activities or are excessive or incurred during a period of suspension or after termination or are otherwise unallowable.

Award recipient warrants and represents that all statements, representations and warranties made by award recipient in its application and proposal package to the BPU, and any other materials furnished in support of the request for funding are true. It is specifically understood by award recipient that all such statements, representations and warranties shall be deemed to have been relied upon by the BPU in its decision to make the award, and that if any such statements, representations or warranties were materially false at the time they were made or are breached during the term hereof, the BPU may, in its sole discretion, consider any such misrepresentation or breach an event of default and the BPU may take one or more of the following actions, as appropriate in the circumstances.

(1) The BPU may suspend the award, withhold further funding and prohibit the award recipient from incurring additional obligations pending corrective action by the award recipient and disallow costs incurred during suspension.

(2) The BPU may terminate the award in whole or in part. The BPU shall promptly notify the award recipient, in writing, of the termination and the reasons for the termination, together with the effective date and, in case of partial termination, the portion to be terminated and the recoverable portion, if any. When an award is terminated pursuant to this paragraph, payments made to the award recipient shall be terminated and any funds already distributed that are determined by the BPU to be recoverable shall be returned within thirty (30) days of demand thereof by the BPU. Costs incurred after termination shall be disallowed.

(3) The BPU may disallow any costs.

(4) The BPU may demand immediate return of some or all of the award, excepting those funds rightfully disbursed by award recipient to third party entities.

(5) The BPU may pursue other remedies at law or in equity as may be within legal right.

The BPU may also terminate the award at any time, in whole or in part, when the BPU determines that the continuation of the project would not produce beneficial results commensurate with the further expenditure of funds. The BPU shall promptly notify award recipient in writing, of the determination to terminate the award, together with the effective date and, in case of partial termination, the portion to be terminated. Award recipient shall cancel as many outstanding obligations as possible. Costs incurred after termination pursuant to this paragraph shall be disallowed.

The costs of award recipient resulting from obligations incurred by it during a suspension, or after termination of an award, are not allowable unless the BPU expressly authorizes them in the notice of suspension or termination or subsequently. Such costs may be allowed if they are: (l) necessary and (2) not reasonably avoidable and (3) were properly incurred by the award recipient before the effective date of suspension or termination and (4) are not in anticipation of it and (5) in the case of a termination are non-cancelable and (6) the costs would be allowable if the award were not suspended or expired normally at the end of the funding period.

No remedy herein conferred or reserved to the BPU is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof.

Section III of this agreement, award closeout procedures, shall apply in all cases of termination.

L. HEARINGS, APPEALS

Upon taking an enforcement action pursuant to section I.K. above, the BPU will provide award recipient an opportunity for such hearing, appeal, or other administrative proceeding to which award recipient is entitled under any statute or regulation applicable to the action involved.

M. CHANGES TO SCOPE

The BPU may request changes in the scope of the services to be performed hereunder. Such changes, including any increase or decrease in the amount of the funds provided herein, shall be mutually agreed upon by and between the BPU and award recipient, and must be incorporated in written amendments to this Agreement.

N. ASSIGNABILITY

Award recipient shall not subcontract or assign any of the work or services to be performed by it in relation to award supported activities except as already stated in Attachment "A," without the express written approval of the BPU. All terms and provisions herein shall apply to all subcontractors or assignees.

O. INDEMNIFICATION

Award recipient shall be solely responsible for and shall keep, save, hold harmless and indemnify the BPU and the State of New Jersey from and against any and all actions, costs, damages, disbursements, expenses including, but not limited to, attorney's fees, judgments, liabilities, losses, obligations, penalties, suits, proceedings, claims and matters of any kind whatsoever which may at any time be imposed on, incurred by, agreed to or asserted against the BPU and the State of New Jersey, arising out of any and all activities, acts, omissions, services performed and products provided by award recipient, including the award supported activities. The BPU and the State of New Jersey shall bear no liability in any form to any third party for any acts or omissions on the part of award recipient. Award recipient's liability under this paragraph shall continue for a five-year period after the closeout or termination of this agreement.

P. ENTIRE AGREEMENT

This agreement and the attachments hereto embody the entire agreement and understanding between award recipient and the BPU, representing the State of New Jersey and supersede all prior agreements and understandings, both written and oral, between the parties relating to the subject matter herein. All modifications, waivers, and amendments hereto must be made in writing by mutual agreement of the parties, except as otherwise stated herein.

Q. JURISDICTION AND CHOICE OF LAW

Jurisdiction of any action hereunder shall lie in a court of competent jurisdiction in the State of New Jersey and shall be construed in accordance with the laws of the State of New Jersey applicable to contracts made and performed in the State of New Jersey.

R. CONSTRUCTION

Whenever possible, each provision of the Agreement shall be interpreted in such a manner as to be effective and valid under the applicable law, but, if any provision of this Agreement shall be held to be prohibited or invalid under such applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of the Agreement.

S. NOTICES

Upon request by the BPU, any notices, demands, and communications hereunder shall be given by certified or overnight mail and shall be addressed to:

For Award Recipient:

Charles F. Dunleavy
Ocean Power Technologies, Inc.
1590 Reed Road
Pennington, NJ 08534

For The State:

New Jersey Board of Public Utilities
44 S. Clinton Avenue, P.O. Box 350
Trenton, NJ 08625-0350

Any changes or additions to the notice provisions above shall be made in writing provided as stated above.

III. POST AWARD REQUIREMENTS

A. IDENTIFICATION OF KEY PERSONNEL

Award recipient shall identify and maintain an individual with the principal responsibility for the management of all award related activities. This individual, designated the project manager, shall be William B. Powers.

Award recipient shall identify and maintain an individual with the principal responsibility for maintaining an adequate financial management system as described below. This individual, designated the financial manager, shall be Charles F. Dunleavy.

B. FINANCIAL MANAGEMENT SYSTEM

The financial manager shall be responsible for maintaining a financial management system in compliance with this agreement. The financial manager shall notify the BPU immediately if award recipient cannot comply with the requirements established herein.

The financial management system shall provide for:

(1) accurate, current and complete records of the financial results of this program, in conformity with generally accepted principles of accounting, capable of being reported in a format in accordance with the financial reporting requirements as described herein; and

(2) records that adequately identify the source and application of funds for BPU supported activities, containing information pertaining to awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures and income, and be maintained in conformity with generally accepted principles of accounting; and

(3) effective internal and accounting controls over all funds, property, and other assets; and

(4) comparison of actual expenditures or outlays with budgeted amounts for the award, which shall be related to performance or productivity data; and

(5) procedures for determining reasonableness, allowableness, and allocability of costs, consistent with the provisions of federal and state requirements; and

(6) source documentation.

The BPU may review the adequacy of the award recipient's financial management system at any time during the period of the award. If the BPU determines that the award recipient's system does not meet the standards described in this section, additional information may be required by the BPU upon written notice to the award recipient. This information shall be provided to the BPU until such time as the BPU determines that the system meets with BPU approval. If award recipient fails to provide such information to the satisfaction of the BPU, or if the BPU determines that the award recipient has consistently failed to maintain the proper financial management system, the BPU may take action pursuant to section I.K, herein.

C. USE OF FUNDS

The funds provided herein may be used only for allowable costs. Award funds may be used for salaries, supplies, travel, purchase of services, equipment, and other direct project expenses, plus properly allocable indirect costs as set forth in the Proposal, and incorporated in the Award Budget. Funds may only be used for costs that are directly applicable to the project, not for general and administrative costs to the company.

Award recipient may charge to the award only the costs resulting from obligations incurred during the funding period, unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent program period.

The award recipient must liquidate all obligations incurred under this award not later than ninety (90) days after the end of the funding period, unless specific authority to extend this deadline is granted, in writing, by the BPU.

D. MATCHING AND COST SHARING

Award recipient shall be required to account for, to the satisfaction of the BPU, the matching and cost-sharing requirements as stated herein. The BPU requires that any funds it commits to support award related activities shall be matched as outlined in the proposal with non-state support. Non-state support may include cash and/or in kind support. In kind support includes the salary costs of the research team, use of company equipment, materials, and other resources devoted to the project by the company, its consultants, subcontractors, vendors, or other participating partners. Cash support includes third party equity investments or loans, funding from federal grants, foundations, and universities, cash commitments from distributors to support marketing, sales promotion, and/or customer service, investments by company principals, payments to outside vendors, consultants, or contractors for work performed related to the project. The matching support may include contributions by the sponsoring company for the expenses of the project, and contributions by individuals and/or organizations collaborating with the company. To qualify as cost sharing, all support must be available for expenditure during the funding period.

E. BUDGET REVISIONS AND MODIFICATIONS

The "award budget" as used in this section means the agreed financial plan approved by the BPU that will be utilized to implement award-related activities. The award budget is appended as Attachment "A" hereto. Line item variances in the award budget, in amounts up to twenty five thousand dollars ($25,000) or ten percent (10%) of the total amount of the award, whichever is less, do not require the prior approval of the BPU but may be initiated by award recipient and reported in the financial reports. In the event that the financial reports indicate line item variances in excess of this amount (either under or over expenditure) and have not received

BPU pre-approval, the BPU may require that the amount of the variance over twenty five thousand dollars ($25,000) or ten percent (10%) of the total award be refunded to the State of New Jersey.

All other budget revisions and modifications to the award budget in amounts in excess of twenty five thousand dollars or ten percent (10%) of the total amount of the award, must be approved in advance, in writing, by the BPU. Before any obligation is incurred which would result in any line item variance in excess of the variances permitted above, the award recipient must obtain an award budget amendment, in writing, from the BPU. The award recipient must also obtain prior written approval when a revision or modification will be necessary for any of the following reasons:

(1) changes in the scope, objective, or timing of the project or program;

(2) the need for additional funding, or to extend the period of availability of funds;

(3) the award recipient plans to transfer funds that would cause part of the award, or part thereof, to be used for purposes other than those originally indicated.

If the award recipient is making program expenditures or providing grant services at a rate, which in the judgment of the BPU, will result in substantial failure to expend the award amount or provide services, the BPU shall so notify the award recipient. If, within fifteen (15) days of such notice, the award recipient is unable to develop, to the satisfaction of the BPU, a plan to rectify its low level of program expenditures or services, the BPU may, upon a thirty (30) day notice, reduce the award amount so that the revised award amount fairly projects program expenditures over the award period. This reduction shall take into account the award recipient's fixed costs and shall establish the committed level of activity for each program element of activity at the reduced amount.

F. MONITORING OF PROGRAM PERFORMANCE

The award recipient, shall continually monitor the performance of award supported activities to assure that time schedules are being met, projected work units by time periods are being accomplished, and other performance goals are being achieved, as applicable, and as defined by the proposal, Attachment "A" hereto.

The award recipient shall inform the BPU of the following types of conditions, which affect program objectives and performance as soon as they become known:

(1) problems, delays or adverse conditions which will materially impair the ability to attain program objectives, prevent the meeting of time schedules and goals, or preclude the attainment of project work units by established time periods, accompanied by a statement of the action taken, or contemplated, and any BPU assistance needed to resolve the situation; and

(2) favorable developments or events which enable meeting time schedules and goals sooner than anticipated or at less cost, or producing more beneficial results than originally planned.

The BPU may at its discretion make site visits to review program accomplishments and management control systems and to provide technical assistance as the BPU determines may be required.

G. ACCOUNTING PRINCIPLES

Compliance with any provision of this Agreement relating to financial or accounting computation or reporting shall be determined in accordance with generally accepted principles of accounting.

H. ACCESS TO RECORDS

The award recipient agrees to make available to the BPU, and any state or federal agency whose funds are expended in the course of this program, or any of their duly authorized representatives, pertinent accounting records, books, documents, electronic files, and other items as may be necessary to monitor and audit operations and finances. All visitations, inspections and audits, including visits and requests for documentation in discharge of the BPU's responsibilities, shall as a general rule provide for prior notice when reasonable and practical to do so. However, the BPU retains the right to make unannounced visitations, inspections, and audits as deemed necessary. The BPU reserves the right to have access to all work papers available to the award recipient in connection with audits made by the award recipient or by independent certified public accountants, registered municipal accountants, or licensed public accountants hired by the award recipient to perform such audits.

I. INSURANCE

Award recipient agrees to carry general liability insurance and other such insurance against loss, damage and liability as is customary within its industry, to be held with insurance companies licensed to do business in New Jersey.

J. TAXES, ASSESSMENTS AND GOVERNMENTAL CHARGES

Award recipient warrants and represents that all tax returns and reports of award recipient required by law to be filed have been duly filed and all taxes, assessments, fees and other governmental charges upon the award recipient or upon any of its respective properties, assets, income or franchises which are due and payable pursuant to such returns and reports, or pursuant to any assessment received by the award recipient have been paid other than those which may be presently payable without penalty or interest.

Award recipient agrees to pay as they become due, all taxes, assessments and governmental charges, which may be required by law or contract to be paid by the award recipient. Award recipient may in good faith contest such taxes and governmental charges and such taxes and charges may remain unpaid during the period of such contest.

IV. AWARD CLOSEOUT

A. PROCEDURES

The BPU shall close out the award provided herein when it determines that all applicable administrative action and all required work pertaining to the award have been completed by the award recipient.

The date of completion of this program shall be when all activities related to the award are completed, the funding period has expired, or the BPU terminates the award, whichever occurs earliest.

The award recipient shall submit a final report pursuant to section IV.B below upon the date of completion or termination of the award. The BPU may permit extensions when requested in advance, in writing, by the award recipient.

Upon the date of completion, or termination of the award by the BPU, the award recipient will, together with the submission of the final report, refund to the BPU any unexpended funds or unobligated (unencumbered) cash advanced, except such sums that have been otherwise authorized in writing by the BPU to be retained.

Award recipient must liquidate all obligations incurred under this award not later than ninety (90) days after date of completion or termination of the award, unless specific authority to extend this deadline is granted, in writing, by the BPU.

Within the limits of the award amount, the BPU may make a settlement for any upward or downward adjustment of costs after these reports are received.

In the event a final audit has not been performed prior to the closeout of the award, the BPU retains the right to recover any appropriate amount after fully considering the recommendations on disallowed costs resulting from the final audit.

The award recipient shall account for any property acquired with award funds or received from the BPU.

B. FINANCIAL AND PERFORMANCE REPORTING

(1) Monthly reports will be sent to the BPU program manager with updates on each of the tasks outlined in the proposal and an expenditures for that month and cumulative to the project. A final report will also be provided to the BPU program manager.

(2) If applicable, the award recipient shall provide to the BPU, concurrently with the furnishings thereof, copies of all reports sent to award recipient's shareholders, the Securities and Exchange Commission, or any securities exchange.

C. RECORD RETENTION

Except as otherwise noted below, financial and program records, supporting documents, statistical records, and all other records pertinent to this award shall be retained for a period of three years, starring from the date of "submission of the final expenditure report, unless federal or state funding statutes require a longer period.

If any litigation, claim, negotiation, action or audit involving the records is started before the expiration of the three year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular three year period, whichever is later.

Records for nonexpendable property acquired with BPU funds shall be retained for three years after final disposition of the property.

The retention period for real property and equipment records starts from the date of the disposition, replacement or transfer of the real property or equipment.

The BPU may request transfer of certain records to its custody from the award recipient when it determines that the records possess long-term retention value and will make arrangements with the award recipient to retain any records that are continuously needed for joint use.

IN WITNESS WHEREOF, the parties, duly authorized and intending to be legally bound hereto, execute this agreement, as of the date last written below.

(Cassandra Kling)
Witness

Ocean Power Technologies, Inc.
Charles F. Dunleavy
Chief Financial Officer

Date 3 November 2003

/s/ Charles F. Dunleavy

New Jersey Board of Public Utilities

/s/ Jeanne M. Fox

- ------------------------------------	---------------------------------------
Witness	Jeanne M. Fox President

Date

APPROVED AS TO FORM:

ATTORNEY GENERAL OF NEW JERSEY

11-03-03	By: Brian Lipman
Date	Deputy Attorney General

/s/ Brian Lipman

ATTACHMENT A

AGREEMENT

between

STATE OF NEW JERSEY

NEW JERSEY BOARD OF PUBLIC UTILITIES

and

Ocean Power Technologies, Inc.

(2)

Proposal "Ocean Demonstration of Next Generation Powerbuoy," dated March 31, 2003

ATTACHMENT B

AGREEMENT

between

STATE OF NEW JERSEY

NEW JERSEY BOARD OF PUBLIC UTILITIES

and

Ocean Power Technologies, Inc.

(2)

FINAL PERFORMANCE REPORT GUIDELINES

The Final Performance Report, which is required under terms of the BPU's award agreements with Renewable Energy Economic Development Program award recipients, is intended to provide recipients with a consistent means of reporting their achievements resulting from BPU support. The Final Report should be concise, yet sufficiently detailed to provide a comprehensive overview of the activities, results and achievements of the funded project, relative to the proposal. Variances from the proposal should be identified and explained.

The Final Performance Report should be provided in the following format:

I. Executive Summary (one page)

II. Technical Report

A. Technical achievements of the grant period (compared explicitly against outcomes projected in grant proposal).

B. Unanticipated technical stumbling blocks.

C. Additional technical work likely to be required prior to commercial exploitation of the research by the New Jersey industrial partner.

III. Partnership Report

A. Nature of the matching contribution actually received from the New Jersey industrial partner.

B. Nature of the substantive collaboration evidenced by or accompanying the match.

C. Nature of the arrangements made for ownership/disposition of intellectual property (i.e., was there a research agreement executed?).

D. Assessment by the industrial partner of the commercial or strategic importance of the project outcomes (cite an individual by name who can be contacted for verification by the BPU).

E. The industrial partner's future plans for knowledge developed during the project, whether owned by the university or the partner (e.g., any licensing and/or manufacturing plans). Be specific as to geographic locus of these activities.

IV. Institutional Report (as applicable)

A. Assessment by the principal investigator of the impact which the project has had on the future research capacity of the sponsoring academic institution.

B. Plans for further development funding of the research, assuming that full commercialization has not been achieved during the grant period.

C. Publications resulting (include reprints with credit to BPU).

D. Patent applications/awards resulting (specify stage reached as of final report).

E. Licenses issued/issuing (specify stage reached as of final report).

F. Jobs created (direct and indirect)

G. Additional funding leveraged by BPU award.

Exhibit 10.19

Confidential Materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

CONTRACT FOR THE DEVELOPMENT AND APPLICATION OF A SEA WAVE ENERGY GENERATION SYSTEM IN FRANCE

This contract for the development of the application of a wave energy generation system in France (hereinafter: "the Agreement") is signed as of June 17, 2005 by and between:

IBERDROLA ENERGIAS RENOVABLES II, S.A. SOCIEDAD UNIPERSONAL (hereinafter: "IBERENOVA"), a company existing and organised under the Spanish law, with Tax Registration Number A-83028035, having its registered office located at Tomas Redondo, 1, Madrid, Spain, represented by Ms ANA ISABEL BUITRAGO MONTORO with National Identity Document No. 79.305.185-N and Mr. MIGUEL MARTIN SAEZ, with National Identity Document No. 12.158.285-W, acting in their capacity as joint and several representatives by virtue of the deed of power of attorney executed on 29 May 2002 before the Notary Public of Bilbao, Mr. Arriola Arana, under number 1.039 of his records.

And

TOTAL ENERGIE DEVELOPPEMENT SA (hereinafter: "TED"), a company existing and organised under the French law, having its registered office located in France, 92078 Paris la Defense Cedex, 2, Place de la Coupole, La Defense 6, represented by Mr. GILLES COCHEVELOU acting in his capacity as President.

And

OCEAN POWER TECHNOLOGIES LTD. (hereinafter: "OPT"), a company, wholly-owned by OPT Inc. existing and organised under the laws of England and Wales having its registered office located at Warwick Innovation Centre, Gallows Hill, CV34 6UW Warwick, England, United Kingdom, represented by Mr. MARK DRAPER acting in his capacity as Chief Executive.

And

OCEAN POWER TECHNOLOGIES INC, (hereinafter: "OPT Inc") a company existing and organised under the laws of United States of America having its registered office located at Pennington, New Jersey, United States of America, represented by Dr. George W. Taylor, acting as Chief Executive officer of the company.

IBERENOVA, TED and OPT being hereinafter individually referred to as a (Party) and collectively referred to as the (Parties).

WHEREAS:

A. OPT represents that it has all rights to (i) use the industrial and intellectual property rights of the technology for the generation of electrical power using energy from sea waves, registered under the name PowerBuoyTM System (hereinafter: together with any developments, improvements or derivatives thereof, the "Technology"), (ii) sell the PowerBuoys stations, and (iii) operate and maintain them.

B. IBERENOVA is strongly active in the renewable energy sector.

C. IBERENOVA and OPT Inc., inter alia, have entered into a Collaboration Agreement dated July 2, 2004 (hereinafter: the "Cantabria Agreement") whereby they are participating in the evaluation and possible development of a pilot project for a sea wave energy generation electricity power station with an initial power of 1.25 MW on the North coast of Spain (hereinafter: the "Cantabria Project") using the Technology. As of the date hereof, TOTAL EOLICA, S.A has joined the Cantabria Agreement in writing, with the remaining partners' prior consent.

D. IBERENOVA and OPT, assuming that the results of the Cantabria Project were favourable, wish to develop a new project for a sea wave energy generation electricity power station using the Technology on the coast of France, in collaboration with an industrial company being active in the renewable energy sector in France.

E. TED (a company of the TOTAL Group which is active world-wide in the energy sector) is conducting its business in the renewable energy sector especially in France and is interested in participating in generation electricity projects using sea wave energy both in France and in other countries including Spain.

F. TOTAL EOLICA, S.A (a company of the TOTAL Group which is active in the energy sector) is conducting its business in the renewable energy sector in Spain and is interested in participating in generation electricity projects using sea wave energy in Spain.

G. The Parties, based on the complementary nature of their skills, experience and resources, wish to enter into a collaboration to study and assess the technical and economical possibility to develop on the coast of France, one sea wave energy generation electricity power station with a capacity of around 2 to 5 MW (the exact number of MWs to be decided by the Steering Committee as provided below) using the Technology (hereinafter: the "Project").

H. The Parties acknowledge that the French Authorities have enabled the development of Renewable Energy Projects through the issuance of "Competitive Calls for Tenders" (for example Competitive Calls for Tenders issued in year 2004 for Biomass Energy, Offshore Wind Energy, Onshore Wind Energy). The Parties acknowledge that the Project will not be a Demonstration Project (with little or no return on capital) and that the intention of this Agreement is to develop a project which will be submitted to the the first "Competitive Call for Tenders" to be issued by the French Authorities regarding Wave Energy.

I. The Parties wish to set forth certain rules to regulate more precisely their collaboration and, in this regard, have entered into this Agreement.

NOW IT IS HEREBY AGREED AS FOLLOWS.

1. PURPOSE.

Under the terms and subject to the conditions set forth in this Agreement, the Parties shall actively and closely co-operate in good faith to study and assess the feasibility of the Project. Such feasibility study shall include the research of potential sites on the coast of France whereon one sea wave energy generation electricity power station (hereinafter: the "Power Station") may be installed and shall concern all other aspects relating to the Project including but not limited to its economical, technical, legal, administrative, environmental, marketing and operational constraints, aspects and perspectives.

Should the Parties conclude that the Project is feasible, they shall meet and discuss in good faith as to whether the Project should be implemented or not and, if the Parties decide to implement the Project, shall define the scheme for any such development and operation of the Project.

For the purposes of this Agreement the Parties agree that "France" shall mean all French territories excluding the following: "Nouvelle-Caledonie", "Polynesie-Francaise", "Wallis et Futuna", and the "Terres australes et antarctiques francaises" (TAAF).

2. RELATIONSHIP BETWEEN THE PARTIES.

2.1 Pursuant to the provisions of this Agreement, the interests, rights, duties, obligations and liabilities of the Parties shall be several and not joint, but without limitation to what is provided in section 10 below.

2.2 Nothing in this Agreement shall be construed as creating a partnership, association, joint venture or any other legal entity between the Parties. The Parties agree that their entering into any further agreements or their decision to proceed with the implementation of the Project (phase 2) are subject to the prior corporate approval by their respective Board of Directors (or equivalent) and, with respect to TED and IBERENOVA, to the prior approval by the Executive Committee of TOTAL S.A. and of the Steering Committee (Comite Operativo) and the Executive Committee of IBERDROLA, S.A. respectively. Nothing in this Agreement is intended to bind the Parties neither to enter into any further agreement nor to proceed with the implementation of the Project.

2.3 From the effective date of this Agreement, each Party shall not enter into any commitment or incur any liabilities or obligations for or on behalf of any other Party towards third parties in connection with the Project without the prior written consent of the relevant Party. In this regard, no Party shall be deemed to be a representative, agent, employee of any other Party for any purpose whatsoever.

2.4 During the duration of the Feasibility of Studies (phase 1 of this Agreement) including any written extension thereof, and until December 31, 2008, OPT shall not, directly or indirectly, within France: (i) develop any power plant based on the Technology or any improvements or developments thereof; (ii) build and/or supply any equipment based on the PowerBuoy System other than as provided for in this Agreement.

3. FEASIBILITY STUDIES (PHASE 1)

During an initial period of eighteen (18) months from the execution date of this Agreement, the Parties will jointly conduct studies (the "Feasibility Studies") in respect of the following aspects of the Project :

(a) Determination of the wave energy potential of the coast of France obtainable with the Technology;

(b) Establishment and development of a design and installation programme of the corresponding Power Station with a capacity of around 2 to 5 MW, the exact capacity to be agreed to by the Steering Committee;

(c) Negotiation with the French authorities of the conditions and agreement required to implement the Project, including without limitation public marine domain concession, building consent, connection agreement and power purchase agreement;

(d) Obtaining all other necessary consents and permits;

(e) Assessment of the required engineering procurement and construction contract and related agreements;

The Parties shall prepare a work program (including a project plan) and a budget in respect of the Feasibility Studies for approval by the Steering Committee.

The Parties shall use reasonable efforts to complete the Feasibility Studies in accordance with the work program. If the Parties do not have sufficient information eighteen (18) months after signing this Agreement to make the decision contemplated in this section regarding the development of the Project, the Parties, through the Steering Committee, agree to extend the initial phase up to a maximum of further six (6) months.

During this phase 1, IBERENOVA shall be the leader for promoting the Project and negotiating with the French authorities all necessary authorisations. However, IBERENOVA shall keep the other Parties informed of the content of its discussions with French Officials (including but not limited to: representatives of the French government, ministries, local and central administration, elected people etc...) regarding the Project.

When the Feasibility Studies are completed, and if the Parties unanimously conclude that the Project would be economically, technically and financially feasible, the Parties will meet to discuss and decide in writing whether and how they will jointly develop such Project. The Party or Parties not agreeing in writing to develop the Project before the said 90-day from completion of the Feasibility Studies will be considered, for all the purposes of this Agreement, as a Withdrawing Party and thus subject (without limitation) to Clauses 8.3.(b) and 8.3.(c) below. For the purposes herein, the Feasibilities Studies will be deemed to have been completed when so agreed to by the Steering Committee, but without limitation to Clause 8.2.(a) below.

The Parties shall exchange all relevant information necessary to perform the Feasibility Studies, provided that none of the Parties shall be required to furnish the others with non-proprietary data subject to confidentiality agreements vis-a-vis third parties until they obtain such third party's prior consent, provided that OPT will not be entitled to claim third parties' rights over the "Technology" to restrain the other Parties from having access thereto.

Each Party shall be entitled to use the Feasibility Studies only pursuant to the terms of this Agreement and in accordance with the provisions of Exhibit 1 ("Confidential Information, Inventions and Trade Secrets Agreement") to this Agreement.

4. PARTICIPATING INTERESTS IN THE PROJECT.

At the time of execution of this Agreement, the undivided interest of each Party in the rights, benefits and obligations pursuant to this Agreement and in the Project (hereinafter: the "Participating Interest") shall be :

PARTY	PARTICIPATING INTEREST
IBERENOVA	[**]
TED	[**]
OPT	10%

5. COSTS AND EXPENSES.

All costs and expenses incurred directly by the PARTIES in connection with the study and assessment of the Project, together with all other costs and expenses from external advisors for the purpose of carrying out the work contemplated by the PHASE 1 shall be shared between the PARTIES as per their respective PARTICIPATING INTEREST in the Project, provided they have been previously approved by the STEERING COMMITTEE and regardless of whether or not the PROJECT finally goes ahead and even if one or several of the PARTIES hereto decide not to go into the PROJECT, in which case section 8.3 (b) shall apply.

In that sense, an economic fund (hereinafter the "FUND") will be established and shall be payable by the PARTIES in the proportions of their PARTICIPATING INTEREST. The FUND will be managed by the STEERING COMMITTEE which will detail the contributions to be made by each of the PARTIES to the FUND, and the budget of expenses of each PARTY to be paid by the FUND, in the PHASE 1.

The Steering Committee shall decide which of the Parties or a third party shall carry out the various aspects of work contemplated by this Agreement.

The Fund shall be managed by IBERENOVA who also shall be the formal addressee of the invoices from the Parties. The invoices shall be paid within [**] days.

If the decision to implement the Project is taken, said payments to the Fund by each Party shall be recoverable from the Special Purpose Company that may be created by the

Parties for the development and operation of the Project or shall be capitalised in this Special Purpose Company as appropriate.

Each Party shall retain evidence, including supporting documentation such as invoices and timesheets, of all costs for inspection upon request. All costs to be incurred in accordance with this Agreement, shall be budgeted, presented and approved by the Steering Committee.

6. STEERING COMMITTEE.

6.1 Upon execution of this Agreement, the Parties shall set up a Steering Committee (hereinafter: the "Steering Committee") composed of the following three (3) members (1 representative appointed by each Party):

TED representative: [**]
IBERENOVA representative: [**]
OPT representative: [**]

The representative appointed by [**] shall be the chairman of the Steering Committee. The Steering Committee shall have ultimate overall control and decision-making powers with regard to the activities under Phase 1 of this Agreement. A Party may change its representative or designate an alternate (who will need to be an employee of the appointing Party or of any company of its group of companies subject to the confidentiality obligations provided herein), subject to give prior written notice to the other Parties.

6.2 The Steering Committee shall meet as often as necessary, but at least [**]. Any Party shall have the right to submit a proposal for consideration by the Steering Committee.

6.3 The meetings will be held alternately in Madrid and Paris (at the head-offices of IBERENOVA and TED) or at such other place as may be agreed from time to time by the Parties. The presence of all representatives of the Parties shall be required to constitute a quorum for any meeting of the Steering Committee. Each Party shall use its reasonable efforts to ensure the existence of a quorum at any duly called meeting of the Steering Committee.

6.4 The Parties intend that the members of the Steering Committee shall attend the meetings of the Steering Committee in person, but recognise that members may from time to time be prevented from doing so. Therefore, members of the Steering Committee may participate in a meeting of the Steering Committee by means of telephone or video conference or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting. Each Party may also designate by written notice to the other Parties an alternate representative, who will need to be an employee of the appointing Party or of any company of its group companies subject to the confidentiality obligations provided herein, to act in the absence of a member unable to attend a meeting of the Steering Committee. Any action required or permitted to be taken at a meeting of the Steering Committee may be taken without a meeting if a written consent, setting forth the action so taken, is signed by all members of the Steering Committee.

6.5 The Steering Committee shall be responsible for the following activities:

- reviewing, modifying and approving the budget for all costs and expenses to be incurred in accordance with clause 5 in connection with the Project;

- monitoring Project progress and adherence to the budget;

- engagement and termination of any external accountants, engineers, environmental consultants, financial advisors or legal counsel and all other external advisors providing services for the Project;

- approving the distribution or payment of any amount to any Party except pursuant to the approved budget;

- approving the selection of the site whereon Power Station may be installed;

- analysis of the conclusions of the Feasibility Studies and recommendation to the Parties as to the possible implementation of the Project;

- deciding that the Feasibility Studies of the Project are ended;

- extending the duration of the Feasibility Studies phase;

- approving a time schedule for the possible implementation of the Project;

- approving public announcements to be made in connection with the Project.

6.6 Decisions of the Steering Committee shall be made by unanimous approval of the representatives of the Parties (principle of consensus), it being understood that the representative of each Party shall have one (1) vote. If the Steering Committee is unable to reach agreement on any matter within its competence, at the request of either Party, a second meeting of the Steering Committee shall be convened to be held within [**] weeks from the date of the first meeting at which the Steering Committee failed to reach agreement. At this second meeting, the Steering Committee shall apply all possible means to resolve the disagreement.

6.7 All decisions taken during a meeting by the Steering Committee shall be recorded in minutes. Minutes of the meetings of the Steering Committee shall be drafted in English by the Chairman and a draft shall be sent to the Parties within [**] working days of the meeting. The minutes shall be deemed approved by the Parties if no comment is made within [**] working days from the sending of the draft to the Parties. All the important decisions taken during a meeting shall be recorded and signed upon at the end of the meeting.

6.8 Relations with French media will be managed by TED as per the decision taken by the Steering Committee. Similar arrangements will be implemented for phase 2.

7. IMPLEMENTATION OF THE PROJECT (PHASE 2).

Provided that the Parties agree in writing that the Project should be implemented, they shall identify an optimal legal structure and in connection therewith, they (or any of their Affiliated Companies) shall incorporate a "Societe Anonyme"(S.A) or a "Societe par Actions Simplifiees" (S.A.S) under French law (or other legal vehicle as may be agreed by the Parties) for the implementation of the Project (hereinafter: the "Special Purpose Company" or the "SPC"). For the purpose of this Agreement, "Affiliated Company" shall mean any company or legal entity which (i) controls either directly or indirectly a Party, or (ii) which is controlled directly or indirectly by such Party, or (iii) is directly or indirectly controlled by a company or entity which directly or indirectly controls such Party. "Control" means the right to exercise one hundred percent (100%) of the voting rights.

The Parties shall use their reasonable commercial efforts to negotiate in good faith and enter into the bylaws and shareholders agreement, and to incorporate the SPC no later than [**] months after a final decision (if any) is taken in writing to implement the Project.

The Parties hereby agree on the following basic principles that shall govern the ownership and management of the SPC and the business relationships between the SPC and each Party (or its Affiliated Companies):

(a) The head-office of the SPC shall be located in the region of Paris, France.

(b) Share in the capital of the SPC shall be distributed between the Parties (or any Affiliated Company of each Party) as follows:

PARTY	SHARE CAPITAL PERCENTAGE
IBERENOVA	[**]
TED	[**]
OPT	10%

The shares shall be indivisible and shall give rise each to equal rights of participation in the collective decisions and in the annual income as well.

(c) The share capital of the SPC shall be in an amount sufficient so that external funding does not require sureties or guarantees of the Parties. Each Party shall contribute to the equity of the SPC in proportion to its percentage of share in the capital;

(d) The General Manager ("Directeur General" in a S.A. or "President" in a S.A.S. under French law), the Chairman and the Company Secretary shall be appointed amongst candidate(s) proposed by IBERENOVA. Subject to the overall supervision and control of the Board of Directors (or any equivalent corporate decision body in the S.A.S.), the General Manager shall be responsible for the day-to-day management of the SPC;

(e) The Board of Directors shall be composed of five(5) members of whom three(3) shall be appointed by IBERENOVA, one(1) by TED and one(1) by OPT provided that the initial capital stake of each Party is in accordance with Clause 4 above. In case of change of the distribution of the share capital among the shareholders, the Board composition will be amended to reflect broadly the respective percentage held by each Party; in any case, each Party will have the right to appoint at least one(1) member of the Board of Directors. Except for the decisions mentioned below, all resolutions of the Board of Directors shall be adopted by a simple majority of the directors present or represented at the meeting;

(f) No action shall be taken by or on behalf of the SPC by the General Manager or any other person on any of the following matters, except by a resolution of the Board of Directors (or the general assembly of the shareholders as appropriate) adopted by not less than a 80% majority of the voting powers of the directors (i.e. for the foreseen initial composition of the Board, 4 out of 5 directors vote favourably) (or 80% of the share capital, as the case may be):

- approval of the SPC's business plans, which shall include the investments to be carried out for implementing the Project and amendments to said investments exceeding 500,000 Euros;

- investment or divestitures other than in the ordinary course of business of the SPC or except expressly authorized in the business plan or in duly approved amendments thereto, including without limitation operation and maintenance investments directly addressed to enlarge the useful life or increase the production of the original Project;

- making of loans or borrowing by the SPC other than those addressed to financing the investments included in the SPC's business plans or its duly approved amendments or otherwise previously approved pursuant this Section (f);

- entering into, terminating or modifying any contract between the SPC and (i) any Party (or its Affiliated Companies), or (ii) any company or entity in which any Party has a direct or indirect interest, or (iii) any manager or director of the SPC;

- conversion, transformation, merger, split, dissolution and liquidation, save in the compulsory cases contemplated by law;

- establishment, closing down or winding up of branches and subsidiaries;

- modification of the share capital, except those share capital increases required so that external financing of the Project does not entail personal guarantees by the Parties;

- elimination of the preferential subscription right in capital increases;

- issues of convertible debentures and execution of any loan agreement with rights to conversion to capital.

(g) The shareholder agreement shall contain "deadlock" provisions that may apply in the case at any decision listed in sub-paragraph (f) above is not approved by a vote satisfying the required supermajority;

(h) Bylaws and the shareholders agreement shall contain provisions granting the Parties pre-emption rights for the case of transfer of the SPC shares to third parties (other than to the transferring Party's Affiliated Companies).

In any case, (i) OPT's prior written approval shall be required when the potential transferees is a competitor to OPT, (ii) TED's prior written approval shall be required when the potential transferee is an oil and gas company, (iii) IBERENOVA's prior written approval shall be required when the potential transferee is a utility.

(i) The SPC shall submit each year its financial statements for auditing by an independent accounting firm that will be chosen among the four top auditing firms in France.

(j) OPT shall supply and install the equipment based on the Technology, and provide the SPC with assistance and information, including operation and maintenance services, with the sufficient scope and extension so that the SPC may operate the Project, and any further projects as per Section 9 below, pursuant to state-of-the art standards during all its useful life (the "Supply"). Such Supply obligations shall be exclusive for France until 31st of December 2008;

(k) In the design and construction phases, the SPC shall arrange with IBERENOVA or TED (or any of their Affiliated Companies), whichever company submits the best proposal in market conditions, a contract for the provision of promotion, management, direction, control, administrative and representation services. The SPC may decide to split this contract between IBERENOVA and TED.

(l) For the operation phase, the SPC shall have the minimum team necessary to perform the tasks that are required and to the extent feasible shall subcontract the other functions. Alternatively, the SPC may decide that the Parties will perform these tasks on its behalf.

(m) The SPC shall be responsible for the acquisition of all necessary supplies and services for the installation, start-up and operation of the Power Stations.

In that sense, on market conditions, the SPC shall contract with OPT for the supply and installation of the Power Stations. [**].

Additionally, an Operation and Maintenance agreement shall be awarded to OPT, on market conditions, for the Power Stations over the first 10 years of the projects' lifetime.

8. EFFECTIVENESS / TERMINATION.

8.1 After its execution by the Parties, this Agreement shall become effective as from the day and year first above written.

8.2 This Agreement shall terminate upon the earliest to occur of the following events:

(a) 27 months after the date of execution of this Agreement without a written decision having been passed to implement the Project (phase 2), except if the Parties agree in writing on a time-extension of the Feasibility Studies, in which case this Agreement shall terminate 90 days after the date of completion of the Feasibility Studies without such a written decision having been passed;

(b) at any time if the Parties jointly decide not to implement the Project (phase 2)

(c) on such other date as the Parties may mutually agree;

(d) following a material breach by a Party (the "Defaulting Party") of any material provision of this Agreement which has not been remedied within [**] days from the receipt by such Defaulting Party of a notice of default sent by the other Parties, the decision of such other Parties to terminate this Agreement;

(e) the decision by the Parties to enter into a new agreement which explicitly supersedes this Agreement;

8.3 Withdrawal of any Party.

(a) At any time following the date of this Agreement, any Party (the "Withdrawing Party") may withdraw from the Project in its sole discretion provided it gives 15 days prior written notice of its withdrawal to the other Parties (the "Non-Withdrawing Parties") indicating the date as from which such withdrawal shall be effective.

The Non-Withdrawing Party or Parties shall be entitled to use the rights over the Feasibility Studies together with, any document or information prepared by the Withdrawing Party in connection with the Project which use will be free of charge. The Non-Withdrawing Party or Parties shall be entitled to complete the implementation of the Project exclusive of the Withdrawing Party.

(b) Upon its withdrawal from the Project, the Withdrawing Party shall be relieved from any obligations and liabilities to the Non-Withdrawing Party(ies) arising out or in connection with such withdrawal. Therefore, except otherwise provided for in this Agreement, the Withdrawing Party will not be bound by the Agreement from the date of its withdrawal from the Project. However OPT shall remain bound by the Supply obligations under Section 7.(j) above. Furthermore, each Party shall remain bound by the confidentiality provisions stated in this Agreement and in the Confidential Information, Inventions and Trade Secrets Agreement attached to this Agreement as Exhibit 1, but without prejudice to the right of the Non-Withdrawing Parties to use the information disclosed hereunder by the Withdrawing Party for the purposes of the Project and enlarged collaboration set forth herein.

However, the Withdrawing Party shall be obligated to pay on or prior to the date of effectiveness of withdrawal its Participating Interest share of External Costs for which it has become obligated to fund hereunder. For purposes hereof, External Costs shall include all such costs committed by the Steering Committee in accordance with this Agreement as of the date of the Non-Withdrawing Parties' actual receipt of the written notice of withdrawal and anticipated to be incurred within [**] days, whether or not actually incurred as of the date of the effectiveness of withdrawal.

In addition, should OPT withdraw from this Agreement while IBERENOVA and/or TED decide to implement the Project, OPT shall nevertheless comply with its Supply Obligations toward the SPC or, in case only either IBERENOVA or TED decide to implement the Project, to the Non-Withdrawing Party. This Supply will be exclusive during a period expiring on December 31, 2008 and will be granted pursuant to the remaining terms and conditions provided for under Section 7(j) above.

(c) The Non-Withdrawing Party or Parties shall not have any cause of action against the Withdrawing Party acting in good faith and without breach of this Agreement or any other fault, for damages and losses which could directly or indirectly result from such withdrawal. However, if the Agreement is terminated pursuant to clause 8.2(e) (material breach), the non-defaulting Party (or Parties) may pursue any and all remedies that may be available against the Defaulting Party.

(d) The foregoing provisions, and specially 8.3(c) shall apply, mutatis mutandi, in case of termination of Agreement under section 8.2(d) (references to Withdrawing Party being understood made to the Defaulting Party and references to the Non-withdrawing Parties to the Non-defaulting Parties, respectively).

9. ENLARGEMENT OF THE COLLABORATION.

If either the Parties or IBERENOVA and TED decide in writing to enlarge their collaboration under this Agreement to the study and possible development of additional wave energy project(s) using the Technology on the coast of France up to [**], it is acknowledged that it should be beneficial for the Project that TED and IBERENOVA assumes, on an alternative basis, the leadership in the conduct of the operations relating to the Phases 1 and 2 of each such additional projects. Furthermore, the Parties agree that the current Participating Interests of IBERENOVA and TED in the Project (as mentioned in article 4) [**].

In accordance with the above mentioned, OPT agrees to supply and install the equipment based on the PowerBuoy System and its further improvements to the SPC(s) created between the Parties for the implementation of these additional Project(s), and provide the SPC(s) with assistance and information, including operation and maintenance services, with the sufficient scope and extension so that the SPC(s) may operate the Project(s) as per state-of-the art standards during all its useful life (the "Supply"). Such Supply obligations shall be exclusive for France until 31st of December 2008.

10. WARRANTY

10.1 OPT Inc hereby warrants the fulfilment by OPT of OPT's obligations under this Agreement, so that OPT Inc undertakes to fulfil all OPT's obligations under the Agreement, in the case that OPT does not fulfil them, immediately upon Iberenova and/or Total's demand, being able to oppose only the exceptions that OPT would be entitled to under this Agreement.

In particular, and for OPT's obligations of payment under the Agreement, the Parties agrees that the guarantee will be governed by articles 2021 et seq of the Civil Code. OPT Inc. expressly waives the benefice de discussion and benefice de division (OPT Inc.'s rights to limit its liability and to require execution to be first directed against OPT) as provided in articles 2021 and 2026 of the Civil Code.

Furthermore, OPT Inc undertakes not to liquidate OPT and not to allow OPT to become bankrupt or insolvent or otherwise unable to meet its obligations hereunder.

11. GOVERNING LAW & ARBITRATION

11.1 This Agreement shall be governed by and construed in accordance with the French law.

11.2 Any dispute arising out of or in connection with this Agreement shall be exclusively and finally settled under the Rules of Arbitration of the International Chamber of Commerce then in effect (the (ICC Rules)) by three (3) arbitrators appointed in accordance with the ICC Rules. The place of arbitration shall be Paris (France) and the language of arbitration shall be English.

12. LIABILITY.

12.1 No Party shall be liable to the other Party for any special, indirect or consequential losses or damages, including but not limited to loss of profits, revenues, contracts, opportunities, goodwill or business, arising out of or in connection with this Agreement.

12.2 In case of a third party claim arising out of or in connection with this Agreement, each Party shall be liable in proportion to its Participating Interest in the Project.

13. NOTICES.

Any notice which may be or is required to be given pursuant to this Agreement shall be in writing and may be delivered, by hand, or sent by registered post or fax to the relevant address set out below:

TED

2 place de la Coupole -- La Defense 6
92400 Courbevoie, France
Phone (33-1) 01.47.44.30.96
Fax (33-1) 01.47.44.31.13
E-mail gilles.cochevelou@total.com
Attention Mr. Gilles Cochevelou

IBERENOVA
Tomas Redondo, 1
28033 Madrid, Espana
Phone (34) 91 577 65 00
Fax (34) 91 784 37 03
E-mail roberto.legaz@iberdrola.es
Attention Mr. Roberto Legaz

OPT
Warwick Innovation Centre
Gallows Hill
Warwick
CV34 6UW
UK
Phone (44) 01926623371
Fax (44) 01926408190
E-mail mdraper@oceanpowertech.com
Attention Mr. Mark Draper

OPT INC
1590 Reed Road
Pennington,
New Jersey 08534
USA
Phone 6097300400
Fax 6097300404
E-mail gtaylor@oceanpowertech.com
Attention Dr. George W. Taylor

14. ASSIGNMENT.

14.1 The assignment by a Party of all or part of its Participating Interest under this Agreement to a third party requires the prior written approval of the other Parties.

14.2 Notwithstanding the provisions of clause 14.1 hereabove, each Party may, without the prior written approval of the other Party, assign all or part of its Participating Interest under this Agreement to any of its Affiliated Companies subject however to first give written notice thereof to the other Parties, and provided the assignee is actually in a position to fulfill all assignor's obligations under this Agreement. Otherwise, the assignor's guaranty shall be required.

15. INSTITUTIONAL COMMUNICATION.

If any Party within the frame of its institutional communication, wishes to issue any public announcement or statement regarding this Agreement and/or in connection with the Project, it shall not do so without the prior written approval of the Steering Committee, except if it is necessary to do so in order to comply with applicable laws, decrees, rules or regulations of any government legal proceedings, or stock exchange, having jurisdiction over such Party.

16. CONFIDENTIALITY.

16.1 The Parties shall keep confidential all information and data acquired, developed or disclosed in the course of implementation of this Agreement (hereinafter referred to as the (Confidential Information)) and shall not disclose it to third parties or use it for other purposes other than as provided herein except to the extent that such information and data:

(i) is, at the time of its disclosure, in the public domain; or

(ii) becomes generally available to third parties by publication or otherwise after its disclosure, through no breach of this Agreement; or

(iii) was lawfully in the possession of the receiving Party prior to its disclosure, as evidenced by the written records of such Party, and which was not acquired directly or indirectly from the other Party; or

(iv) is disclosed independently by a third party that warrants to a good-faith Party that such disclosure does not infringe confidentiality obligations; or

(v) is subject to any legal or judiciary obligation to disclose.

16.2 Notwithstanding the provisions of clause 16.1, the Parties shall be entitled to disclose such Confidential Information (i) to their employees, officers and directors and to those of their Affiliates (ii) to any professional consultant or bank who requires these information and data for the evaluation and implementation of the Project, subject however to the prior execution by such consultant or bank of a confidentiality undertaking.

16.3 The disclosure of Confidential Information by any Party does not vest the other Party with a right of ownership on the said Confidential Information, which is and shall remain the property of the Party who disclosed it.

16.4 The provisions of this clause 16 shall apply for the duration of this Agreement, and for a period of [**] years after the termination of this Agreement, howsoever caused.

16.5 With respect to the Confidential Information of technical nature disclosed by OPT to any of the other Parties to this Agreement, the PARTIES agree to sign the Confidential Information, Inventions and Trade Secrets Agreement attached to this Agreement as Exhibit 1. To the extent of any conflict between the terms of this Agreement and the terms of the Confidential Information, Inventions and Trade Secrets Agreement, the terms of the Confidential Information, Inventions and Trade Secrets Agreement shall prevail.

17. MISCELLANEOUS.

17.1 No waiver by any Party of any one or more defaults by another Party in the performance of this Agreement shall operate or be construed as a waiver of any future defaults by the same Party, whether of a like or of a different character. Except as expressly provided for in this Agreement, no Party shall be deemed to have waived, released or modified any of its rights under this Agreement.

17.2 No amendments, changes or modifications to this Agreement shall be valid except if they are in writing and approved by the Parties.

17.3 Each of the Parties agrees to comply with, and to procure that each of their subcontractors complies with (i) the Total and IBERDROLA HSE Policies and (ii) the Total and IBERDROLA Codes of Conduct attached hereto.

This Agreement has been executed in four (4) originals by the duly authorised representatives of each Party on the day and year first above written.

FOR TED	FOR IBERENOVA
/s/ Gilles Cochevelou	/s/ Ana Buitrago
Signature Name Gilles Cochevelou	/s/ Miguel Martin Signature Name Ana Buitrago Miguel Martin

FOR OPT	FOR OPT, INC
/s/ Mark Draper	/s/ George W. Taylor
Signature Name Mr. Mark Draper	Signature Name Dr. George W. Taylor

EXHIBIT 1

CONFIDENTIAL INFORMATION, INVENTIONS AND TRADE SECRETS AGREEMENT

WHEREAS representatives of Ocean Power Technologies, Limited having its offices in Warwick, UK, or Ocean Power Technologies, Inc, having an office at Pennington, New Jersey, USA, ("OPT" or, the "Company" hereinafter) are about to enter into discussions with Total Energie Development SA (hereinafter "TED") a company existing and organized under French law, having its registered office located in France, 2, Place de la Coupole, 92078 Paris la Defense Cedex, and with Iberdrola Energias Renovables II, S.A., Sociedad Unipersonal (hereinafter "IBERENOVA"), a company existing and organised under the Spanish law, with Tax Registration Number A-83028035, having its registered office located at [ ], (TED, and IBERENOVA, hereinafter, the "PARTIES"), concerning the use of certain electrical power generation technology owned by OPT for the potential construction and operation of power generation plant(s) based on the sea waves energy in the coast of France (hereinafter, the "Power Plant"), and

WHEREAS it is anticipated that the discussions will be mutually beneficial to signatories hereto, and

WHEREAS during the course of such discussions it is expected that representatives of PARTIES will receive or have access to specifications, designs, plans, drawings, data, prototypes, marketing plans or other technical or business information belonging to OPT and which OPT considers to be proprietary (hereinafter "INFORMATION"); the term INFORMATION also shall be deemed to include all notes, analyses, compilations, studies, interpretations or other documents prepared by PARTIES which contain, reflect or are based upon the INFORMATION but expressly excluding those parts of such notes, analyses, compilations, studies, interpretations or other documents or information prepared by or on behalf of PARTIES relating to or in connection with the analysis of waves resources, marine and coastal dynamics, performance assessment, power output, stability of the system, environmental issues and any other similar information furnished or obtained by the Parties in the course of the development of the Power Plant.

WHEREAS during the course of the discussions PARTIES may develop certain inventions, improvements or discoveries based on the INFORMATION.

NOW THEREFORE, in consideration of the mutual benefits to be derived from the above discussions and other good and valuable consideration, receipt of which is acknowledged, it is agreed by and between the parties hereto as follows:

1. PARTIES shall

   a. Restrict disclosure of the INFORMATION solely to those of its employees (and those of Total SA) and consultants with a need to know and not disclose such INFORMATION to third parties; and

b. Advise employees (including those of Total SA) and consultants who receive the INFORMATION of the obligation of confidentiality hereunder and take steps, which may include the execution of confidentiality contracts, in order to mitigate the risk of employees and consultants breaching this Confidential Information, Inventions and Trade Secrets Agreement (hereinafter "Agreement"), and

c. Use and require employees and consultants to use the same degree of care to protect the INFORMATION as is used with PARTIES' own proprietary INFORMATION, and

d. Use INFORMATION solely for the development by OPT of OPT wave power projects in France.

2. Notwithstanding anything to the contrary herein, PARTIES shall have no obligation to preserve the confidentiality of any INFORMATION as set forth in clause 16.1 of the accompanying Contract for the Develoment and Application of a Sea Wave Energy Generation System in France.

3. PARTIES and OPT agree that any company of the group of companies of each of the PARTIES, including any which are directly or indirectly controlled by such companies, and any employee and consultant of such companies, will be considered as third party for the purposes of the confidentiality obligations above-stated. Therefore, disclosure of INFORMATION to the third parties before-mentioned will require the approval of OPT. However, INFORMATION could be disclosed to Total SA pursuant to this Agreement.

4. Upon termination of this Agreement, PARTIES will exercise reasonable efforts to return all INFORMATION received in tangible form and all copies thereof to OPT.

5. Nothing contained in this Agreement shall be construed as granting or conferring any rights by license or otherwise in any INFORMATION disclosed or limiting the rights and obligations of the parties under the Contract.

6. For the avoidance of doubt, nothing in this Agreement shall entitle any of the PARTIES or third parties to make or use, or have made or have used by any third parties, any invention derived from INFORMATION.

7. Nothing in this Agreement shall prevent the PARTIES and/or third parties from using in any way they see fit, their general knowledge, skills and experience and any tools, skills and techniques acquired or used by them (together "PARTIES' GENERAL KNOWLEDGE") in the performance of this Agreement. Such PARTIES' GENERAL KNOWLEDGE shall not include INFORMATION or any tools, skills and techniques derived from INFORMATION.

8. This Agreement shall be governed and construed in accordance with French Law. Any disputes between OPT and the Parties in connection with this Agreement and, in particular, concerning its interpretation, validity, compliance and termination (including the validity and compliance with this Clause) shall be submitted to arbitration of law, that shall be settled by three arbitrators pursuant to the Arbitration Regulations of the

International Chamber of Commerce. The arbitration proceedings will be held in Paris, in English. The nominating authority will be the Chairman of the ICC. The Parties agree to comply the arbitration award as soon as it is issued.

9. In the event of a breach of this Agreement by PARTIES, PARTIES understands and agrees that OPT may suffer irreparable harm and will therefore be entitled to injunctive relief to enforce this Agreement.

10 This Agreement shall become effective on the date of execution and shall be in force for a period of five years from the date of execution.

/s/ Gilles Cochevelou
- -------------------------------------
TOTAL ENERGIE DEVELOPMENT

/s/ Ana Isabel Buitrago Montoro
- -------------------------------------

/s/ Miguel Martin Saez
- -------------------------------------
IBERENOVA
Represented by
Mrs. Ana Isabel Buitrago Montoro and
Mr. Miguel Martin Saez

/s/ Mark Draper
- -------------------------------------
Ocean Power Technologies Limited
Represented by Mark Draper

/s/ George W. Taylor
- -------------------------------------
Ocean Power Technologies, Inc.
Represented by Dr. George W. Taylor

Exhibit 10.20

LOCKHEED MARTIN

Post-Proposal Letter Contract

Subcontractor: Ocean Power Technologies (OPT)
1590 Reed Rd.
Pennington, NJ 08534

Date: 9/17/04

Prime or Customer Contract No.: N00039-04-C-0035

Subject: LOCKHEED MARTIN CORPORATION- Maritime Systems & Sensors (MS2)

Letter Contract No. DM259735:

Reference: a) MS2 Request for Proposal (RFP)No. 29-RA-042904 dated April 8, 2004 and All Amendments

b) OPT Proposal dated April 29, 2004 (with pricing update/correction provided 30-Apr-04 and 05-May-04) and Revision dated August 4, 2004

1. Authorization is hereby given to proceed with the Work against the subject contract, as follows:

   Tactical Interface System Buoy in Support of the Advanced Deployable System (ADS) Technology Development (TD) CLIN's 0001 and 0002 ("The Program").

2. Delivery schedules shall be as follows: Period of Performance 9/14/04 - 10/31/05

3. Fact-finding of your proposal submitted in response to Lockheed Martin's Request for Proposal No. 29-RA-042904 is anticipated to begin on 9/22/04. Negotiations are anticipated to begin on 9/23/04. The target definitization date for the contract is 9/24/04, or before expenditure of 50% of the total estimated cost.

4. The total Not-to-Exceed (NTE) price of this contract is: $1,511,686.00.

5. This contract is incrementally funded. Lockheed Martin's limitation of obligation to pay under this authorization is $705,060.00. The funds are expected to be adequate for performance of the Work until 2/16/05.

6. Payment Terms are: Net 30 Days.

7. Lockheed Martin anticipates executing a cost plus fixed fee (CPFF) type contract. Contractual provisions applicable to this authorization are incorporated by reference, as follows:

   A. General Provisions:

      i. Lockheed Martin CORPDOC No.4, dated 10/03, pages 1 through 11, including Addendum No. 4A, dated 10/03, pages 1 through 3. Final terms and conditions to be mutually agreed to prior to contract definitization.

      ii. Terminations. If this authorization is terminated for any reason before executing the definitive contract, the termination will be accomplished according lo the 'Termination' clause of the CORPDOC incorporated above. A definitive contract will be issued for the work accomplished up to the point of termination.

   B. Special Provisions:

      i. Quality Assurance clauses: Per MS2 RFP #29-RA-042904 - and as included in definitized contract.

      ii. Government Prime Contract Flowdowns: Per MS2 RFP #29-RA-042904 - to be further refined prior to contract definitization.

   C. Statement of Work No. Attachment G to RFP #29-RA-042904, entitled Advanced Deployable System (ADS) System Development and Demonstration (SDD) Phase, dated 07 June 2004, pages 1 through 26.

   D. System Performance Specification No. Rev 8.4, and Interface Requirements Document Rev 3.2b.

8. The CONTRACTOR is claiming the following Rights in Technical Data: The existing wave tank system design which will be used as the baseline for the Program was originally developed under an Small Business Innovation Research (SBIR) Phase II contract currently underway at OPT, Topic Number N00-116, entitled Modular l00kW Wave Powered Electric Generator (SBIR Phase I Contract Number N00014-01-M-0041 and Phase II Contract NumberN00014-02-C-0034).

The proposed Program extends the work performed under these contracts, and as such is accorded all rights of an SBIR Phase III funding agreement. The rights are subject to Patent Rights, Rights in Data, and Rights in Technical Data provisions of FAR 52.227-11, 52.227-20 and DFARS 252.227-7018.

9. This contract is subject to the Cost Accounting Standards (CAS), as provided in Attachment A of MS2 RFP #29-RA-042904.

10. This is a rated contract certified for National Defense. The Contractor is required to follow all provisions of the Defense Priorities and Allocations System (DPAS) regulations (15 CFR 700). The rating on this order is DO-A7.

11. This authorization is subject to your prompt acceptance. Please return a signed copy by FAX no later than cob, Monday, September 20, 2004, confirming your acceptance of the contents herein and acknowledging that the effort authorized has been initiated.

Contractor: OCEAN POWER TECHNOLOGIES	LOCKHEED MARTIN CORPORATION
By: /s/ Charles F. Dunleavy	By: /s/ Brenda Aanderud
Title: C.F.O.	Title: Staff Subcontract Administrator
Date: 22 September 2004	Date: 9/17/04

Section A - PO #DM259735
LOCKHEED MARTIN CORPORATION

CORPDOC 4

LOCKHEED MARTIN

COST REIMBURSEMENT GENERAL PROVISIONS AND FAR FLOWDOWN PROVISIONS FOR SUBCONTRACTS/PURCHASE ORDERS (ALL AGENCIES) FOR NON-COMMERCIAL ITEMS UNDER A U.S. GOVERNMENT PRIME CONTRACT

SECTION I: GENERAL PROVISIONS

1. ACCEPTANCE OF CONTRACT/TERMS AND CONDITIONS

(a) This Contract integrates, merges, and supersedes any prior offers, negotiations, and agreements concerning the subject matter hereof and, together with Exhibits, Attachments, and any Task Order(s) issued hereunder, constitutes the entire agreement between the parties.

(b) SELLER's acknowledgment, acceptance of payment, or commencement of performance, shall constitute SELLER's unqualified acceptance of this Contract.

(c) ADDITIONAL OR DIFFERING TERMS OR CONDITIONS PROPOSED BY SELLER OR INCLUDED IN SELLER'S ACKNOWLEDGMENT ARE OBJECTED TO BY LOCKHEED MARTIN AND HAVE NO EFFECT UNLESS EXPRESSLY ACCEPTED IN WRITING BY LOCKHEED MARTIN.

2. ALLOWABLE COST AND PAYMENT.

(a) INVOICING. LOCKHEED MARTIN shall make payments to SELLER when requested as work progresses, but (except for Small Business Concerns) not more often than once every 2 weeks, in amounts determined to be allowable by LOCKHEED MARTIN in accordance with the terms of this Contract and Subpart 31.2 of the FAR, and agency supplements as appropriate, in effect on the date of this Contract. If the Contract is with an educational institution, FAR Subpart 31.3 shall apply; and if with a non-profit organization other than an educational institution, FAR Subpart 31.7 shall apply. SELLER may submit to the LOCKHEED MARTIN Procurement Representative, in such form and reasonable detail as the Representative may require, an invoice or voucher supported by a statement of the claimed allowable cost for performing this Contract.

(b) REIMBURSING COSTS.

(1) For the purpose of reimbursing allowable costs (except as provided in paragraph (b)(2) of the clause, with respect to pension, deferred profit sharing, and employee stock ownership plan contributions), the term "costs" includes only:

(i) Those recorded costs that, at the time of the request for reimbursement, SELLER has paid by cash, check, or other form of actual payment for items or services purchased directly for this Contract;

(ii) When SELLER is not delinquent in paying costs of contract performance in the ordinary course of business, costs incurred, but not necessarily paid, for--

(A) Work purchased directly for the Contract and associated financing payments to subcontractors, provided payments determined due will be made--

(1) In accordance with the terms and conditions of a subcontract or invoice; and

(2) Ordinarily within 30 days of prior to the submission of SELLER's payment request to the Government;

(B) Materials issued from SELLER's inventory and placed in the production process for use on this Contract;

(C) Direct labor;

(D) Direct travel;

(E) Other direct in-house costs; and

(F) Properly allocable and allowable indirect costs, as shown in the records maintained by SELLER for purposes of obtaining reimbursement under Government contracts; and

(iii) The amount of financing payments that have been paid by cash, check, or other forms of payment to SELLER's subcontractors.

(2) Accrued costs of SELLER contributions under employee pension plans shall be excluded until actually paid unless:

(i) SELLER's practice is to make contributions to the retirement fund quarterly or more frequently; and

(ii) The contribution does not remain unpaid 30 days after the end of the applicable quarter or shorter payment period (any contribution remaining unpaid shall be excluded from SELLER's indirect costs for payment purposes).

(3) Notwithstanding the audit and adjustment of invoices or vouchers under paragraph (g) of this clause, allowable indirect costs under this contract shall be obtained by applying indirect cost rates established in accordance with paragraph (d) of this clause.

(4) Any statements in specifications or other documents incorporated in this Contract by reference designating performance of services or furnishing of materials at SELLER's expense or at no cost to LOCKHEED MARTIN shall be disregarded for purposes of cost-reimbursement under this clause.

(c) SMALL BUSINESS CONCERNS. A small business concern may receive more frequent payments than every 2 weeks.

(d) FINAL INDIRECT COST RATES. LOCKHEED MARTIN shall reimburse SELLER on the basis of final annual indirect cost rates and the appropriate bases established by SELLER and the Government in effect for the period covered by the indirect cost rate proposal. Such rates and bases shall not change any monetary ceiling, contract obligation, or specific cost allowance or disallowance provided for in this Contract. The rates and bases shall be deemed incorporated into this Contract upon execution.

(e) BILLING RATES. There shall be included as allowable indirect costs such overhead rates as may be established by SELLER and the cognizant Government agency in accordance with the principles of the FAR and applicable FAR supplement. Pending establishment of final indirect overhead rates for any period, SELLER shall be reimbursed at billing rates approved by the cognizant Government agency, which billing rates may be revised from time to time subject to such approval and subject to appropriate adjustment when the final rates for that period are established.

(f) QUICK-CLOSEOUT PROCEDURES. When SELLER and LOCKHEED MARTIN agree, quick-closeout procedures of Subpart 42.7 of the FAR may be used.

(g) AUDIT. At any time or times before final payment, LOCKHEED MARTIN or the Contracting Officer may have SELLER's invoices or vouchers and statements of cost audited. Any payment may be (1) reduced by amounts found not to constitute allowable costs or (2) adjusted for prior overpayments or underpayments.

(h) FINAL PAYMENT.

(1) SELLER shall submit a completion invoice or voucher, designated as such, promptly upon completion of the Work, but no later than one year (or longer, as LOCKHEED MARTIN may approve in writing) from the completion date. Upon approval of that completion invoice or voucher and upon SELLER's compliance with all terms of this Contract, LOCKHEED MARTIN shall promptly pay any balance of allowable costs and that part of the fee (if any) not previously paid.

(2) SELLER shall pay to LOCKHEED MARTIN any refunds, rebates, credits, or other amounts (including interest, if any) accruing to or received by SELLER or any assignee under this Contract to the extent that those amounts are properly allocable to costs for which SELLER has been reimbursed by LOCKHEED MARTIN. Reasonable expenses incurred by SELLER for securing refunds, rebates, credits, or other amounts shall be allowable costs if approved by LOCKHEED MARTIN: Before final payment under this contract, SELLER and each assignee whose assignment is in effect at the time of final payment shall execute and deliver:

(i) An assignment to LOCKHEED MARTIN, in form and substance satisfactory to LOCKHEED MARTIN, of refunds, rebates, credits, or other amounts (including interest, if any) properly allocable to costs for which SELLER has been reimbursed by LOCKHEED MARTIN under this Contract; and

(ii) A release discharging LOCKHEED MARTIN, the Government, its officers, agents, and employees from all liabilities, obligations, and claims arising out of or under this Contract, except:

(A) Specified claims stated in exact amounts, or in estimated amounts when the exact amounts are not known;

(B) Claims (including reasonable incidental expenses) based upon liabilities of SELLER to third parties arising out of the performance of this Contract; provided, that the claims are not known to SELLER on the date of the execution of the release, and that SELLER gives notice of the claims in writing to LOCKHEED MARTIN within 6 years following the release date or notice of final payment date, whichever is earlier; and

(C) Claims for reimbursement of costs, including reasonable incidental expenses, incurred by SELLER under the patent clauses of this Contract, excluding, however, any expenses arising from SELLER's indemnification of LOCKHEED MARTIN and the Government against patent liability.

(i) SUBCONTRACTS. No subcontract placed under this Contract shall provide for payment on a cost-plus-a-percentage-of-cost basis, and any fee payable under cost-reimbursements type subcontracts shall not exceed the fee limitations in paragraph 15.404-4(c) of the FAR.

3. APPLICABLE LAWS

(a) This Contract shall be governed by and construed in accordance with the laws of the State from which this Contract is issued, excluding its choice of law rules, except that any provision in this Contract that is (i) incorporated in full text or by reference from the Federal Acquisition Regulations (FAR) or (ii) incorporated in full text or by reference from any agency regulation that implements or supplements the FAR or (iii) that is substantially based on any such agency regulation or FAR provision, shall be construed and interpreted according to the federal common law of Government contracts as enunciated and applied by federal judicial bodies, boards of contracts appeals, and quasi-judicial agencies of the federal Government.

(b) (1) SELLER agrees to comply with all applicable laws, orders, rules, regulations, and ordinances. SELLER shall procure all licenses/permits and pay all fees and other required charges. SELLER shall comply with all applicable guidelines and directives of any local, state, and/or federal governmental authority.

(2) If: (i) LOCKHEED MARTIN's contract cost or fee is reduced; (ii) LOCKHEED MARTIN's costs are determined to be unallowable; (iii) any fines, penalties, or interest are assessed on LOCKHEED MARTIN; or (iv) LOCKHEED MARTIN incurs any other costs or damages; as a result of any violation of applicable laws, orders, rules, regulations, or ordinances by SELLER, its officers, employees, agents, suppliers, or subcontractors at any tier, LOCKHEED MARTIN may proceed as provided for in (4) below.

(3) Where submission of cost or pricing data is required or requested at any time prior to or during performance of this Contract, if SELLER or its lower-tier subcontractors: (i) submit and/or certify cost or pricing data that are defective; (ii) with notice of applicable cutoff dates and upon LOCKHEED MARTIN's request to provide cost or pricing data, submit cost or pricing data, whether certified or not certified at the time of submission, as a prospective subcontractor, and any such data are defective as of the applicable cutoff date on LOCKHEED MARTIN's Certificate of Current Cost or Pricing Data; (iii) claim an exception to a requirement to submit cost or pricing data and such exception is invalid; (iv) furnish data of any description that is inaccurate; or if (v) the U.S. Government alleges any of the foregoing; and, as a result, (1) LOCKHEED MARTIN's Contract price or fee is reduced; (2) LOCKHEED MARTIN's costs are determined to be unallowable; (3) any fines, penalties, or interest are assessed on

LOCKHEED MARTIN; or (4) LOCKHEED MARTIN incurs any other costs or damages; LOCKHEED MARTIN may proceed as provided for in paragraph (4) below.

(4) UPON THE OCCURRENCE OF ANY OF THE CIRCUMSTANCES IDENTIFIED IN PARAGRAPHS (2) AND (3) ABOVE, LOCKHEED MARTIN MAY MAKE A REDUCTION OF CORRESPONDING AMOUNTS (IN WHOLE OR IN PART) IN THE COSTS AND FEE OF THIS CONTRACT OR ANY OTHER CONTRACT WITH SELLER, AND/OR MAY DEMAND PAYMENT (IN WHOLE OR IN PART) OF THE CORRESPONDING AMOUNTS. SELLER SHALL PROMPTLY PAY AMOUNTS SO DEMANDED.

(c) SELLER represents that each chemical substance constituting or contained in Work sold or otherwise transferred to LOCKHEED MARTIN hereunder is on the list of chemical substances compiled and published by the Administrator of the Environmental Protection Administration pursuant to the Toxic Substances Control Act (15 U.S.C. Sec. 2601 et seq.) as amended.

(d) SELLER shall provide to LOCKHEED MARTIN with each delivery any Material Safety Data Sheet applicable to the Work in conformance with and containing such information as required by the Occupational Safety and Health Act of 1970 and regulations promulgated thereunder, or its state approved counterpart.

4. ASSIGNMENT

Any assignment of SELLER's Contract rights or delegation of SELLER's duties shall be void, unless prior written consent is given by LOCKHEED MARTIN. SELLER may assign rights to be paid amounts due, or to become due, to a financing institution if LOCKHEED MARTIN is promptly furnished a signed copy of such assignment reasonably in advance of the due date for payment of any such amounts. Amounts assigned shall be subject to setoff or recoupment for any present or future claims of LOCKHEED MARTIN against SELLER. LOCKHEED MARTIN shall have the right to make settlements and/or adjustments in the estimated cost and fee without notice to any assignee.

5. COMMUNICATION WITH LOCKHEED MARTIN CUSTOMER

LOCKHEED MARTIN shall be solely responsible for all liaison and coordination with the LOCKHEED MARTIN customer, including the U.S. Government, as it affects the applicable prime contract, this Contract, and any related contract

6. CONTRACT DIRECTION

(a) Only the LOCKHEED MARTIN Procurement Representative has authority to make changes in or amendments to this Contract. Changes and amendments must be in writing.

(b) LOCKHEED MARTIN engineering and technical personnel may from time to time render assistance or give technical advice or discuss or effect an exchange of information with SELLER's personnel concerning the Work hereunder. No such action shall be deemed to be a change under the "Changes" clause of this Contract and shall not be the basis for equitable adjustment.

(c) Except as otherwise provided herein, all notices to be furnished by the SELLER shall be sent to the LOCKHEED MARTIN Procurement Representative.

7. DEFINITIONS

The following terms shall have the meanings set forth below:

(a) "Contract" means the instrument of contracting, such as "PO", "Purchase Order", or "Task Order", or other such type designation, including all referenced documents, exhibits and attachments. If these terms and conditions are incorporated into a "master" agreement that provides for releases, (in the form of a purchase order or other such document) the term "Contract" shall also mean the release document for the Work to be performed.

(b) "FAR" means the Federal Acquisition Regulation, issued as Chapter 1 of Title 48, Code of Federal Regulations.

(c) "LOCKHEED MARTIN", means LOCKHEED MARTIN CORPORATION, acting through its companies or business units as identified on the face of this Contract. If a subsidiary or affiliate of LOCKHEED MARTIN CORPORATION is identified on the face of this Contract, then "LOCKHEED MARTIN" means that subsidiary or affiliate.

(d) "LOCKHEED MARTIN Procurement Representative" means a person authorized by LOCKHEED MARTIN's cognizant procurement organization to administer and/or execute this Contract.

(e) "PO" or "Purchase Order" means this Contract.

(f) "SELLER" means the party identified on the face of this Contract with whom LOCKHEED MARTIN is contracting.

(g) "Task Order" means a separate order issued under this Contract.

(h) "Work" means all required labor, articles, materials, supplies, goods and services constituting the subject matter of this Contract.

8. DISPUTES

All disputes under this Contract which are not disposed of by mutual agreement may be decided by recourse to an action at law or in equity. Until final resolution of any dispute hereunder, SELLER shall diligently proceed with the performance of this Contract as directed by LOCKHEED MARTIN.

9. ELECTRONIC CONTRACTING

The parties agree that if this Contract is transmitted electronically neither party shall contest the validity of this Contract, or any Acknowledgement thereof, on the basis that this Contract or Acknowledgement contains an electronic signature.

10. EXPORT CONTROL

(a) SELLER agrees to comply with all applicable U.S. export control laws and regulations, specifically including, but not limited to, the requirements of the Arms Export Control Act, 22 U.S.C.2751-2794, including the International Traffic in Arms Regulation (ITAR), 22 C.F.R. 120 et seq.; and the Export Administration Act, 50 U.S.C. app. 2401-2420, including the Export Administration Regulations, 15 C.F.R. 730-774; including the requirement for obtaining any export license or agreement, if applicable. Without limiting the foregoing, SELLER agrees that it will not transfer any export controlled item, data, or services, to include transfer to foreign persons employed by or associated with, or under contract to SELLER or SELLER's lower-tier suppliers, without the authority of an export license, agreement, or applicable exemption or exception.

(b) SELLER agrees to notify LOCKHEED MARTIN if any deliverable under this Contract is restricted by export control laws or regulations.

(c) SELLER shall immediately notify the LOCKHEED MARTIN Procurement Representative if SELLER is, or becomes, listed in any Denied Parties List or if SELLER's export privileges are otherwise denied, suspended or revoked in whole or in part by any U.S. Government entity or agency.

(d) If SELLER is engaged in the business of either exporting or manufacturing (whether exporting or not) defense articles or furnishing defense services, SELLER represents that it is registered with the Office of Defense Trade Controls, as required by the ITAR, and it maintains an effective export/import compliance program in accordance with the ITAR. NOTE: IT IS UNDERSTOOD THAT THIS PARAGRAPH DOES NOTE APPLY UNTIL SUCH TIME AS THE TWO PARTIES AFFIRMLY AGREE THAT THE PARAGRAPH WILL APPLY.

(e) Where SELLER is a signatory under a LOCKHEED MARTIN export license or export agreement (e.g., TAA, MLA), SELLER shall provide prompt notification to the LOCKHEED MARTIN Procurement Representative in the event of changed circumstances including, but not limited to, ineligibility, a violation or potential violation of the ITAR, and the initiation or existence of a U.S. Government investigation, that could affect the Seller's performance under this Contract.

(f) SELLER SHALL BE RESPONSIBLE FOR ALL LOSSES, COSTS, CLAIMS, CAUSES OF ACTION, DAMAGES, LIABILITIES AND EXPENSE, INCLUDING ATTORNEYS' FEES, ALL EXPENSE OF LITIGATION AND/OR SETTLEMENT, AND COURT COSTS, ARISING FROM ANY ACT OR OMISSION OF SELLER, ITS OFFICERS, EMPLOYEES, AGENTS, SUPPLIERS, OR SUBCONTRACTORS AT ANY TIER, IN THE PERFORMANCE OF ANY OF ITS OBLIGATIONS UNDER THIS CLAUSE.

11. EXTRAS

Work shall not be supplied in excess of quantities specified in this Contract. SELLER shall be liable for handling charges and return shipment costs for any excess quantities.

12. FEE (Applicable only if this Contract includes a fee.)

LOCKHEED MARTIN shall pay the SELLER for performing this Contract the fee as specified in this Contract.

13. FURNISHED PROPERTY

(a) LOCKHEED MARTIN may provide to SELLER property owned by either LOCKHEED MARTIN or its customer (Furnished Property). Furnished Properly shall be used only for the performance of this Contract.

(b) Title to Furnished Property shall remain in LOCKHEED MARTIN or its customer. SELLER shall clearly mark (if not so marked) all Furnished Property to show its ownership.

(c) Except for reasonable wear and tear, SELLER shall be responsible for, and shall promptly notify LOCKHEED MARTIN of, any loss or damage. SELLER shall manage, maintain, and preserve Furnished Property in accordance with good commercial practice.

(d) At LOCKHEED MARTIN's request, and/or upon completion of this Contract, the SELLER shall submit, in an acceptable form, inventory lists of Furnished Property and shall deliver or make such other disposal as may be directed by LOCKHEED MARTIN.

(e) The Government Property Clause contained in Section II shall apply in lieu of paragraphs (a) through (d) above with respect to Government-furnished property, or property to which the Government may take title under this Contract.

14. GRATUITIES/KICKBACKS

(a) No gratuities (in the form of entertainment, gifts or otherwise) or kickbacks shall be offered or given by SELLER, to any employee of LOCKHEED MARTIN for the purpose of obtaining or rewarding favorable treatment as a supplier.

(b) BY ACCEPTING THIS CONTRACT, SELLER CERTIFIES AND REPRESENTS THAT IT HAS NOT MADE OR SOLICITED AND WILL NOT MAKE OR SOLICIT KICKBACKS IN VIOLATION OF FAR 52.203-7 OR THE ANTI-KICKBACK ACT OF 1986 (41 USC 51-58), BOTH OF WHICH ARE INCORPORATED HEREIN BY THIS SPECIFIC REFERENCE, EXCEPT THAT PARAGRAPH (C)(1) OF FAR 52.203-7 SHALL NOT APPLY.

15. INDEPENDENT CONTRACTOR RELATIONSHIP

(a) SELLER is an independent contractor in all its operations and activities hereunder. The employees used by SELLER to perform Work under this Contract shall be SELLER's employees exclusively without any relation whatsoever to LOCKHEED MARTIN.

(b) SELLER SHALL BE RESPONSIBLE FOR ALL LOSSES, COSTS, CLAIMS, CAUSES OF ACTION, DAMAGES, LIABILITIES, AND EXPENSES, INCLUDING ATTORNEYS' FEES, ALL EXPENSES OF LITIGATION AND/OR SETTLEMENT, AND COURT COSTS, ARISING FROM ANY ACT OR OMISSION OF SELLER, ITS OFFICERS, EMPLOYEES, AGENTS, SUPPLIERS, OR SUBCONTRACTORS AT ANY TIER, IN THE PERFORMANCE OF ANY OF ITS OBLIGATIONS UNDER THIS CONTRACT. THIS INDEMNITY AND HOLD HARMLESS SHALL NOT BE CONSIDERED AN ALLOWABLE COST UNDER ANY PROVISIONS OF THIS CONTRACT EXCEPT WITH REGARD TO ALLOWABLE INSURANCE COSTS.

16. INFORMATION OF LOCKHEED MARTIN

Information provided by LOCKHEED MARTIN to SELLER remains the property of LOCKHEED MARTIN. SELLER agrees to comply with the terms of any proprietary information agreement with LOCKHEED MARTIN and to comply with all proprietary information markings and restrictive legends applied by LOCKHEED MARTIN to anything provided hereunder to SELLER. SELLER agrees not to use any LOCKHEED MARTIN provided information for any purpose except to perform this Contract and agrees not to disclose such information to third parties without the prior written consent of LOCKHEED MARTIN.

17. INFORMATION OF SELLER

SELLER shall not provide any proprietary information to LOCKHEED MARTIN without prior execution of a proprietary information agreement by the parties.

18. INSURANCE/ENTRY ON LOCKHEED MARTIN PROPERTY

(a) In the event that SELLER, its employees, agents, or subcontractors enter the site(s) of LOCKHEED MARTIN or its customers for any reason in connection with this Contract then SELLER and its subcontractors shall procure and maintain for the performance of this Contract worker's compensation, comprehensive general liability, bodily injury and property damage insurance in reasonable amounts, and such other insurance as LOCKHEED MARTIN may require. In addition, SELLER and its subcontractors shall comply with all site requirements. SELLER shall provide LOCKHEED MARTIN thirty (30) days advance written notice prior to the effective date of any cancellation or change in the term or coverage of any of SELLER's required insurance, provided however such notice shall not relieve SELLER of its obligations to procure and maintain the required insurance. If requested, SELLER shall send a "Certificate of Insurance" showing SELLER's compliance with these requirements, provided however such notice shall not relieve SELLER's of its obligations to procure and maintain the required insurance. SELLER shall name LOCKHEED MARTIN as an additional insured for the duration of this Contract. Insurance maintained pursuant to this clause shall be considered primary as respects the interest of LOCKHEED MARTIN and is not contributory with any insurance which LOCKHEED MARTIN may carry. "Subcontractor" as used in this clause shall include SELLER's subcontractors at any tier. SELLER's obligations for procuring and maintaining insurance coverages are freestanding and are not affected by any other language in this Contract.

(b) SELLER SHALL INDEMNIFY AND BOLD HARMLESS LOCKHEED MARTIN, ITS OFFICERS, EMPLOYEES, AND AGENTS FROM ANY LOSSES, COSTS, CLAIMS, CAUSES OF ACTION, DAMAGES, LIABILITIES, AND EXPENSES, INCLUDING ATTORNEYS' FEES, ALL EXPENSES OF LITIGATION AND/OR SETTLEMENT, AND COURT COSTS, BY REASON OF PROPERTY DAMAGE OR LOSS OR PERSONAL INJURY TO ANY PERSON CAUSED IN WHOLE OR IN PART BY THE ACTIONS OR OMISSIONS OF SELLER, ITS OFFICERS, EMPLOYEES, AGENTS, SUPPLIERS, OR SUBCONTRACTORS.

19. INTELLECTUAL PROPERTY

(a) SELLER WARRANTS THAT THE WORK PERFORMED OR DELIVERED UNDER THIS CONTRACT WILL NOT INFRINGE OR OTHERWISE VIOLATE THE INTELLECTUAL PROPERTY RIGHTS OF ANY THIRD PARTY IN THE UNITED STATES OR ANY FOREIGN COUNTRY. SELLER AGREES TO DEFEND, INDEMNIFY, AND HOLD HARMLESS LOCKHEED MARTIN AND ITS CUSTOMERS FROM AND AGAINST ANY CLAIMS, DAMAGES, LOSSES, COSTS, AND EXPENSES, INCLUDING REASONABLE ATTORNEYS FEES, ARISING OUT OF ANY ACTION BY A THIRD PARTY THAT IS BASED UPON A CLAIM THAT THE WORK PERFORMED OR DELIVERED UNDER THIS CONTRACT INFRINGES OR OTHERWISE VIOLATES THE INTELLECTUAL PROPERTY RIGHTS OF ANY PERSON OR ENTITY. THIS INDEMNITY AND HOLD HARMLESS SHALL NOT BE CONSIDERED AN ALLOWABLE COST UNDER ANY PROVISIONS OF THIS CONTRACT EXCEPT WITH REGARD TO ALLOWABLE INSURANCE COSTS.

(b) Unless LOCKHEED MARTIN's Prime Contract contains 52.227-3, "Patent Indemnity", then SELLER's obligation to defend, indemnify, and hold harmless LOCKHEED MARTIN and its customers under this Paragraph 17(a) shall not apply to the extent FAR 52.227-1 "Authorization and Consent", applies to LOCKHEED MARTIN's contract

(c) Seller shall provide to LOCKHEED MARTIN only such rights as are reasonably necessary to meet and perform the requirements of LOCKHEED MARTIN's Prime Contract.

20. OFFSET CREDIT/COOPERATION

This Contract has been entered into in direct support of LOCKHEED MARTIN's international offset programs. All offset benefit credits resulting from this Contract are the sole property of LOCKHEED MARTIN to be applied to the offset program of its choice. SELLER agrees to assist LOCKHEED MARTIN in securing appropriate offset credits from the respective country government authorities.

21. PACKING AND SHIPMENT

(a) Unless otherwise specified, all Work is to be packed in accordance with good commercial practice.

(b) A complete packing list shall be enclosed with all shipments. SELLER shall mark containers or packages with necessary lifting, loading, and shipping information, including the LOCKHEED MARTIN Contract number, item number, dates of shipment, and the names and addresses of consignor and consignee. Bills of lading shall include this Contract number.

(c) Unless otherwise specified, delivery shall be FOB Place of Shipment.

22. PARTS OBSOLESCENCE

LOCKHEED MARTIN may desire to place additional orders for Work purchased hereunder. SELLER shall provide LOCKHEED MARTIN with a "Last Time Buy Notice" at least twelve (12) months prior to any action to discontinue any Work purchased under this Contract.

23. PAYMENTS, TAXES, AND DUTIES

(a) Unless otherwise provided, terms of payment shall be net 30 days from the latest of the following: (i) LOCKHEED MARTIN's receipt of the SELLER's proper invoice; (ii) Scheduled delivery date of the Work; or (iii) Actual delivery of the Work. LOCKHEED MARTIN shall have a right of setoff against payments due or at issue under this Contract or any other contract between the parties.

(b) Each payment made shall be subject to reduction to the extent of amounts which are found by LOCKHEED MARTIN not to have been properly payable, and shall also be subject to reduction for overpayments.

(c) Payment shall be deemed to have been made as of the date of mailing LOCKHEED MARTIN's payment or electronic funds transfer.

(d) Unless otherwise specified, estimated costs include all applicable federal, state, and local taxes, duties, tariffs, and similar fees imposed by any government, all of which shall be listed separately on the invoice.

24. PRECEDENCE

Any inconsistencies in this Contract shall be resolved in accordance with the following descending order of precedence: (i) Face of the Purchase Order and/or Task Order, release document or schedule, (including any continuation sheets), as applicable, including any special provisions; (ii) This CORPDOC ; (iii) Statement of Work.

25. PRIORITY RATING

If so identified, this Contract is a "rated order" certified for national defense use, and the SELLER shall follow all the requirements of the Defense Priorities and Allocation System Regulation (15 CFR Part 700).

26. QUALITY CONTROL SYSTEM

(a) SELLER shall provide and maintain a quality control system to an industry recognized Quality Standard and in compliance with any other specific quality requirements identified in this Contract. NOTE: IT IS UNDERSTOOD THAT THIS PARAGRAPH DOES NOTE APPLY UNTIL SUCH TIME AS THE TWO PARTIES AFFIRMLY AGREE THAT THE PARAGRAPH WILL APPLY.

(b) Records of all quality control inspection work by SELLER shall be kept complete and available to LOCKHEED MARTIN and its customers.

27. RELEASE OF INFORMATION

Except as required by law, no public release of any information, or confirmation or denial of same, with respect to this Contract or the subject matter hereof, will be made by SELLER without the prior written approval of LOCKHEED MARTIN.

28. SEVERABILITY

Each paragraph and provision of this Contract is severable, and if one or more paragraphs or provisions are declared invalid, the remaining paragraphs and provisions of this Contract will remain in full force and effect.

29. SURVIVABILITY

(a) If this Contract expires, is completed or terminated, SELLER shall not be relieved of those obligations contained in the following provisions:

Allowable Cost and Payment
Applicable Laws
Electronic Contracting
Export Control
Independent Contractor Relationship
Information of Lockheed Martin
Insurance/Entry on Lockheed Martin Property
Intellectual Property
Release of Information

(b) Those U. S. Government flowdown provisions that by their nature should survive.

30. TIMELY PERFORMANCE

(a) SELLER's timely performance is a critical element of this Contract.

(b) Unless advance shipment has been authorized in writing by LOCKHEED MARTIN, LOCKHEED MARTIN may store at SELLER's expense, or return, shipping charges collect, all Work received in advance of the scheduled delivery date.

(c) If SELLER becomes aware of difficulty in performing the Work, SELLER shall timely notify LOCKHEED MARTIN, in writing, giving pertinent details. This notification shall not change any delivery schedule.

(d) In the event of a termination or change, no claim will be allowed for any manufacture or procurement in advance of SELLER's normal flow time unless there has been prior written consent by LOCKHEED MARTIN.

31. WAIVERS, APPROVALS, AND REMEDIES

(a) Failure by LOCKHEED MARTIN to enforce any provisions of this Contract shall not be construed as a waiver of the requirements of such provisions, or as a waiver of the right of LOCKHEED MARTIN thereafter to enforce each such provision.

(b) LOCKHEED MARTIN's approval of documents shall not relieve SELLER of its obligation to comply with the requirements of this Contract

(c) The rights and remedies of LOCKHEED MARTIN in this Contract are in addition to any other rights and remedies provided by law or in equity.

SECTION II: FAR FLOWDOWN PROVISIONS

A. INCORPORATION OF FAR CLAUSES

The Federal Acquisition Regulation (FAR) clauses referenced below are incorporated herein by reference, with the same force and effect as if they were given in full text, and are applicable, including any notes following the clause citation, to this Contract. If the date or substance of any of the clauses listed below is different from the date or substance of the clause actually incorporated in the Prime Contract referenced by number herein, the date or substance of the clause incorporated by said Prime Contract shall apply instead. The Contracts Disputes Act shall have no application to this Contract Any reference to a "Disputes" clause shall mean the "Disputes" clause of this Contract.

B. GOVERNMENT SUBCONTRACT

This Contract is entered into by the parties in support of a U.S. Government Contract. As used in the FAR clauses referenced below and otherwise in this Contract:

1. "Commercial Item" means a commercial item as defined in FAR 2.101.

2. "Contract" means this contract

3. "Contracting Officer" shall mean the U.S. Government Contracting Officer for LOCKHEED MARTIN's government prime contract under which this Contract is entered.

4. "Contractor" and "Offerer" means the SELLER, as defined in this CORPDOC 4, acting as the immediate (first-tier) subcontractor to LOCKHEED MARTIN.

5. "Prime Contract" means the contract between LOCKHEED MARTIN and the U.S. Government or between LOCKHEED MARTIN and its higher-tier contractor who has a contract with the U.S. Government

6. "Subcontract" means any contract placed by the Contractor or lower-tier subcontractors under this Contract.

C. NOTES

1. Substitute "LOCKHEED MARTIN" for "Government" or "United States" throughout this clause.

2. Substitute "LOCKHEED MARTIN Procurement Representative" for "Contracting Officer", "Administrative Contracting Officer", and "ACO" throughout this clause.

3. Insert "and LOCKHEED MARTIN" after "Government" throughout this clause.

4. Insert "or LOCKHEED MARTIN" after "Government" throughout this clause.

5. Communication/notification required under this clause from/to the SELLER to/from the Contracting Officer shall be through LOCKHEED MARTIN.

6. Insert "and LOCKHEED MARTIN" after "Contracting Officer" throughout the clause.

7. Insert "or LOCKHEED MARTIN Procurement Representative" after "Contracting Officer" throughout the clause.

D. AMENDMENTS REQUIRED BY PRIME CONTRACT

Contractor agrees that upon the request of LOCKHEED MARTIN it will negotiate in good faith with LOCKHEED MARTIN relative to amendments to this Contract to incorporate additional provisions herein or to change provisions hereof, as LOCKHEED MARTIN may reasonably deem necessary in order to comply with the provisions of the applicable Prime Contract or with the provisions of amendments to such Prime Contract. If any such amendment to this Contract causes an increase or decrease in the estimated cost of, or the time required for, performance of any part of the Work under this Contract, an equitable adjustment shall be made pursuant to the "Changes" clause of this Contract.

E. PRESERVATION OF THE GOVERNMENT'S RIGHTS

If LOCKHEED MARTIN furnishes designs, drawings, special tooling, equipment, engineering data, or other technical or proprietary information (Furnished Items) to which the U.S. Government owns or has the right to authorize the use of, nothing herein shall be construed to mean that LOCKHEED MARTIN, acting on its own behalf, may modify or limit any rights the Government may have to authorize the Contractor's use of such Furnished Items in support of other U.S. Government prime contracts.

F. FAR FLOWDOWN CLAUSES

	REFERENCE	TITLE
1.	THE FOLLOWING FAR CLAUSES APPLY TO THIS CONTRACT:	
(a)	52.211-5	MATERIAL REQUIREMENTS (AUG 2000) (Note 2 applies.)
(b)	52.215-20	REQUIREMENTS FOR COST OR PRICING DATA OR INFORMATION OTHER THAN COST OR PRICING DATA (OCT 1997) (Note 2 applies.)
(c)	52.215-21	REQUIREMENTS FOR COST OR PRICING DATA OR INFORMATION OTHER THAN COST OR PRICING DATA - MODIFICATIONS (OCT 1997) (Note 2 applies.)
(d)	52.216-8	FIXED FEE (MAR 1997) (Applicable only if this Contract includes a fixed fee. Notes 1 and 2 apply. Delete the last two sentences of the clause.)
(e)	52.216-10	INCENTIVE FEE (MAR 1997) (Applicable only if this Contract includes an incentive fee. Notes 1 and 2 apply, except in subparagraphs (e) (v) and (e) (vi) where "Government" is unchanged. In subparagraph (e) (iv) and the last two sentences of paragraph (c) is deleted. The amounts in paragraph (e) are set forth on the face of the contract.)
(f)	52.219-8	UTILIZATION OF SMALL BUSINESS CONCERNS (OCT 2000)
(g)	52.222-2	PAYMENT FOR OVERTIME PREMIUMS (JUL 1990) (Insert ZERO in the Blank. Notes 2 and 3 apply.)
(f)	52.222-21	PROHIBITION OF SEGREGRATED FACILITIES (FEB 1999)
(g)	52.222-26	EQUAL OPPORTUNITY (APR 2002) (Only paragraphs (b)(1)-(11) applies.)
(h)	52.225-13	RESTRICTIONS ON CERTAIN FOREIGN PURCHASES (OCT 2003)
(i)	52.227-14	RIGHTS IN DATA - GENERAL (JUN 1987)
(j)	52.232-20	LIMITATION OF COST (APR 1984) (Applicable when this Contract becomes fully funded. Notes 1 and 2 apply.)
(k)	52.232-22	LIMITATION OF FUNDS (APR 1984) (Applicable if this Contract is incrementally funded. When the Contract becomes fully funded 52.232-20 shall apply in lieu of this clause. Notes 1 and 2 apply.)
(l)	52.234-1	INDUSTRIAL RESOURCES DEVELOPED UNDER DEFENSE PRODUCTION ACT TITLE III (DEC 1994) (Notes 1 and 2 apply.)
(m)	52.242-13	BANKRUPTCY (JUL 1995)(Notes 1 and 2 apply.)
(n)	52.242-15	STOP-WORK ORDER (AUG 1989) with ALT I (APR 1984) (Notes 1 and 2 apply.)
(o)	52.243-2	CHANGES - COST REIMBURSEMENT (AUG 1987) (Notes 1 and 2 apply.)
(p)	52.244-6	SUBCONTRACTS FOR COMMERCIAL ITEMS (APR 2003).
(q)	52.246-3	INSPECTION OF SUPPLIES - COST REIMBURSEMENT (MAR 2001) (Note 1 applies, except in paragraphs (b), (c), and (d) where Note 3 applies, and in paragraph (k) where the term is unchanged. In paragraph (e), change "60 days" to "120 days", and in paragraph (f) change "6 months" to "12 months".)
(r)	52.246-5	INSPECTION OF SERVICES - COST REIMBURSEMENT (APR 1984) (Note 3 applies in paragraphs (b) and (c). Note 1 applies in paragraphs (d) and(e).)
(s)	52.247-64	PREFERENCE FOR PRIVATELY OWNED U.S.-FLAG COMMERCIAL VESSELS (APR 2003)
(t)	52.249-6	TERMINATION (COST-REIMBURSEMENT) (SEP 1996) (Notes 1 and 2 apply. Substitute "90 days" for "120 days" and "90-day" for "120-day" in paragraph (d). Substitute "180 days" for "1 year" in paragraph (f). In paragraph (j) "right of appeal", "timely appeal" and "on an appeal" shall mean the right to proceed under the

"Disputes" clause of this Contract. Settlements and payments under this clause may be subject to the approval of the Contracting Officer.)

(u) 52.249-14 EXCUSABLE DELAYS (APR 1984) (Note 2 applies; Note 1 applies to (c). In (a)(2) delete "or contractual".)

2. THE FOLLOWING FAR CLAUSES APPLY TO THIS CONTRACT IF THE VALUE OF THIS CONTRACT EQUALS OR EXCEEDS $10,000:

(a) 52.222-36 AFFIRMATIVE ACTION FOR WORKERS WITH DISABILITIES (JUN 1998)

3. THE FOLLOWING FAR CLAUSES APPLY TO THIS CONTRACT IF THE VALUE OF THIS CONTRACT EQUALS OR EXCEEDS $25,000:

(a) 52.222-35 EQUAL OPPORTUNITY FOR SPECIAL DISABLED VETERANS, VETERANS OF THE VIETNAM ERA, AND OTHER ELIGIBLE VETERANS (DEC 2001)

(b) 52.222-37 EMPLOYMENT REPORTS ON SPECIAL DISABLED VETERANS, VETERANS OF THE VIETNAM ERA, AND OTHER ELIGIBLE VETERANS (DEC 2001)

4. THE FOLLOWING FAR CLAUSES APPLY TO THIS CONTRACT IF THE VALUE OF THIS CONTRACT EQUALS OR EXCEEDS $100,000:

(a) 52.203-6 RESTRICTIONS ON SUBCONTRACTOR SALES TO THE GOVERNMENT (JUL 1995)

(b) 52.203-12 LIMITATION ON PAYMENTS TO INFLUENCE CERTAIN FEDERAL TRANSACTIONS (JUN 2003)

(c) 52.215-2 AUDIT AND RECORDS-NEGOTIATION (JUN 1999) (Applicable if: (1) Contractor is required to furnish cost or pricing data, or (2) the Contract requires Contractor to furnish cost, funding, or performance reports. If this is a cost type contract with an educational institution or other non-profit organization, add ALT II (APR 1998). Note 3 applies.)

(d) 52.215-14 INTEGRITY OF UNIT PRICES (OCT 1997) (Delete paragraph (b) of the clause.)

(e) 52.222-4 CONTRACT WORK HOURS AND SAFETY STANDARDS ACT - OVERTIME COMPENSATION (SEP 2000)

(f) 52.223-14 TOXIC CHEMICAL RELEASE REPORTING (AUG 2003) (Note 2 applies. Delete paragraph (e).)

(g) 52.227-1 AUTHORIZATION AND CONSENT (JUL 1995) (Applicable only if the Prime Contract contains this clause.)

(h) 52.227-2 NOTICE AND ASSISTANCE REGARDING PATENT AND COPYRIGHT INFRINGEMENT (AUG 1996) (Notes 2 and 4 apply.)

(i) 52.248-1 VALUE ENGINEERING (FEB 2000) (Note 1 applies, except in paragraphs (c)(5) and (m), where note 3 applies and where "Government" proceeds "cost" throughout. Note 2 applies.)

5. THE FOLLOWING FAR CLAUSES APPLY TO THIS CONTRACT IF THE VALUE OF THIS CONTRACT EQUALS OR EXCEEDS $500,000:

(a) 52.219-9 SMALL BUSINESS SUBCONTRACTING PLAN (JAN 2002) (Applicable if the Contractor is not a small business. Note 2 is, applicable to paragraph (c) only. The Contractor's subcontracting plan is incorporated herein by reference.)

6. THE FOLLOWING FAR CLAUSES APPLY TO THIS CONTRACT IF THE VALUE OF THIS CONTRACT EQUALS OR EXCEEDS $550,000:

(a) 52.215-12 SUBCONTRACTOR COST OR PRICING DATA (OCT 1997) (Applicable if not otherwise exempt under FAR 15.403.)

(b) 52.215-13 SUBCONTRACTOR COST OR PRICING DATA - MODIFICATIONS (OCT 1997) (Applicable for modifications if not otherwise exempt under FAR 15.403.)

7. THE FOLLOWING FAR CLAUSES APPLY TO THIS CONTRACT AS INDICATED:

(a) 52.204-2 SECURITY REQUIREMENTS (AUG 1996) (Applicable if the Work requires access to classified information.)

(b) 52.215-10 PRICE REDUCTION FOR DEFECTIVE COST OR PRICING DATA (OCT 1997) (Applicable if submission of cost or pricing data is required. Notes 2 and 4 apply. Note 7 applies to paragraph (c)(1). Rights and obligations under this clause shall survive completion of the Work and final payment under this Contract.)

(c) 52.215-11 PRICE REDUCTION FOR DEFECTIVE COST OR PRICING DATA - MODIFICATIONS (OCT 1997) (Applicable if submission of cost or pricing data is required for modifications. Notes 2 and 4 apply. Note 7 applies to paragraph (d)(1) Rights and obligations under this clause shall survive completion of the Work and final payment under this Contract.)

(d) 52.215-15 PENSION ADJUSTMENTS AND ASSET REVERSIONS (DEC 1998) (Applicable if this Contract meets the applicability requirements of FAR 15.408(g). Note 5 applies.)

(e) 52.215-16 FACILITIES CAPITAL COST OF MONEY (JUN 2003) (Applicable only if this Contract is subject to the Cost Principles at FAR Subpart 31.2 and the Contractor proposed facilities capital cost of money in its offer.)

(f) 52.215-17 WAIVER OF FACILITIES CAPITAL COST OF MONEY (OCT 1997) (Applicable only if this Contract is subject to the Cost Principles at FAR Subpart 31.2 and the Contractor did not propose facilities capital cost of money in its offer.)

(g) 52.215-18 REVERSION OR ADJUSTMENT OF PLANS FOR POST-RETIREMENT BENEFITS (PRB) OTHER THAN PENSIONS (OCT 1997) (Applicable if this Contract meets the applicability requirements of FAR 15.408(j). Note 5 applies.)

(h) 52.215-19 NOTIFICATION OF OWNERSHIP CHANGES (OCT 1997) (Applicable if this Contract meets the applicability requirements of FAR 15.408(k). Note 5 applies.)

(i) 52.223-3 HAZARDOUS MATERIAL IDENTIFICATION AND MATERIAL SAFETY DATA (JAN 1997) (Applicable if this Contract involves hazardous material. Notes 2 and 3 apply, except for paragraph (f) where Note 4 applies.)

(j) 52.223-7 NOTICE OF RADIOACTIVE MATERIALS (JAN 1997) (Applicable to Work containing covered radioactive material. In the blank insert "30". Notes 1 and 2 apply.)

(k) 52.223-11 OZONE-DEPLETING SUBSTANCES (MAR 2001) (Applicable if the Work was manufactured with or contains ozone-depleting substances.)

(l) 52.225-1 BUY AMERICAN ACT--SUPPLIES (JUN 2003) (Applicable if the Work contains other than domestic components. Note 2 applies to the first time "Contracting Officer" is mentioned in paragraph (c).)

(m) 52.225-5 TRADE AGREEMENTS (OCT 2003) (Applicable if the Work contains other than domestic components U.S. made, designated country, Caribbean or NAFTA country end products.)

(n) 52.225-8 DUTY FREE ENTRY (FEB 2000) (Applicable if supplies will be imported into the Customs Territory of the United States. Note 2 applies.)

(o) 52.227-9 REFUND OF ROYALTIES (APR 1984) (Applicable when reported royalty exceeds $250. Note 1 applies except for the first two times "Government" appears in paragraph (d). Note 2 applies.)

(p) 52.227-10 FILING OF PATENT APPLICATIONS-CLASSIFIED SUBJECT MATTER (APR 1984) (Applicable if the Work or any patent application may cover classified subject matter.)

(q) 52.227-11 PATENT RIGHTS-RETENTION BY THE CONTRACTOR (SHORT FORM) (JUN 1997) (Applicable if this Contract is for experimental, developmental, or research Work and Contractor is a small business concern or domestic nonprofit organization. Reports required by this clause shall be filed with the agency identified in this Contract. If no agency is identified, contact the LOCKHEED MARTIN Procurement Representative identified on the face of this Contract.)

(r) 52.227-12 PATENT RIGHTS-RETENTION BY THE CONTRACTOR (LONG FORM) (JAN 1997) (Applicable if this Contract is for experimental, developmental, or research Work and Contractor is a large business concern. Reports required by this clause shall be filed with the agency identified in this Contract. If no agency is identified, contact the LOCKHEED MARTIN Procurement Representative identified on the face of this Contract)

(s) 52.228-5 INSURANCE - WORK ON A GOVERNMENT INSTALLATION (JAN 1997) (Applicable if this Contract involves Work on a Government installation. Note 2 applies. Note 4 applies to paragraph (b).)

(t) 52.230-2 COST ACCOUNTING STANDARDS (APR 1998) (When referenced in the Contract, full CAS coverage applies. "United States" means "United States or Lockheed Martin." Delete paragraph (b) of the clause.)

(u) 52.230-3 DISCLOSURE AND CONSISTENCY OF COST ACCOUNTING PRACTICES (APR 1998) (When referenced in this Contract, modified CAS coverage applies. "United States" means "United States or Lockheed Martin". Delete paragraph (b) of the clause.)

(v) 52.230-6 ADMINISTRATION OF COST ACCOUNTING STANDARDS (NOV 1999) (Applicable if FAR 52.230-2 or FAR 52.230-3 applies.)

(w) 52.233-3 PROTEST AFTER AWARD (AUG 1996) ALTI(JUN 1985) (In the event LOCKHEED MARTIN's customer has directed LOCKHEED MARTIN to stop performance of the Work under the Prime Contract under which this Contract is issued pursuant to FAR 33.1, LOCKHEED MARTIN may, by written order to Contractor, direct Contractor to stop performance of the Work called for by this Contract. "30 days" means "20 days" in paragraph (b)(2). Note 1 applies, except the first time "Government" appears in paragraph (f). In paragraph (f) add after "33.104(h)(1)" the following: "and recovers those costs from LOCKHEED MARTIN". Note 2 applies.)

(x) 52.237-2 PROTECTION OF GOVERNMENT BUILDINGS, EQUIPMENT AND VEGETATION (APR 1984) (Applicable if Work is performed on a Government installation. Note 2 applies. Note 4 applies to the second time "Government" appears in the clause.)

(y) 52.243-6 CHANGE ORDER ACCOUNTING (APR 1984) (Applicable only if Prime Contract requires Change Order Accounting. Note 2 applies.)

(z) 52.245-5 GOVERNMENT PROPERTY (COST-REIMBURSEMENT, TIME-AND-MATERIAL, OR LABOR-HOUR CONTRACTS) (JUN 2003) (Applicable if Government Property is furnished in the performance of this Contract. Note 1 applies, except in the phrases "Government property", "Government-furnished property", and in references to title to property. Note 2 applies. Paragraphs (g)(1), (g)(2), and (g)(3) are deleted and replaced with the following: "Contractor assumes the risk of, and shall be responsible for, any loss or destruction, or damage to, Government property covered by this clause. Contractor shall not be liable for reasonable wear and tear to Government property or for Government Property properly consumed in the performance of this Contract." The following is added as paragraph (m): "Contractor shall provide to LOCKHEED MARTIN immediate notice of any disapproval, withdrawal of approval, or non-acceptance by the Government of its property control system.")

(aa) 52.245-18 SPECIAL TEST EQUIPMENT (FEB 1993) (Applicable if this Contract involves the acquisition or fabrication of Special Test Equipment. Note 4 applies, except in paragraphs (b), (c) and (d). Note 2 applies to paragraphs (b) and (d). Note 5 applies. In paragraph (b) and (e), change "30 days" to "60 days".)

(bb) 52.247-63 PREFERENCE FOR U.S.-FLAG AIR CARRIERS (JUN 2003) (Applicable if this Contract involves international air transportation.)

G. CERTIFICATIONS AND REPRESENTATIONS

(1) THIS CLAUSE CONTAINS CERTIFICATIONS AND REPRESENTATIONS THAT ARE MATERIAL REPRESENTATIONS OF FACT UPON WHICH LOCKHEED MARTIN WILL RELY IN MAKING AWARDS TO CONTRACTOR. BY SUBMITTING ITS WRITTEN OFFER, OR PROVIDING ORAL OFFERS/QUOTATIONS AT THE REQUEST OF LOCKHEED MARTIN, OR ACCEPTING ANY CONTRACT, CONTRACTOR CERTIFIES TO THE REPRESENTATIONS AND CERTIFICATIONS AS SET FORTH BELOW IN THIS CLAUSE. THESE CERTIFICATIONS SHALL APPLY WHENEVER THESE TERMS AND CONDITIONS ARE INCORPORATED BY REFERENCE IN ANY CONTRACT, AGREEMENT, OTHER CONTRACTUAL DOCUMENT OR ANY QUOTATION, REQUEST FOR QUOTATION (ORAL OR WRITTEN), REQUEST FOR PROPOSAL OR SOLICITATION (ORAL OR WRITTEN), ISSUED BY LOCKHEED MARTIN. CONTRACTOR SHALL IMMEDIATELY NOTIFY LOCKHEED MARTIN OF ANY CHANGE OF STATUS WITH REGARD TO THESE CERTIFICATIONS AND REPRESENTATIONS.

(a) FAR 52.203-11 CERTIFICATION AND DISCLOSURE REGARDING PAYMENTS TO INFLUENCE CERTAIN FEDERAL TRANSACTIONS (Applicable to solicitations and contracts exceeding $100,000)

(1) The definitions and prohibitions contained in the clause at FAR 52.203-12, Limitation on Payments to Influence Certain Federal Transactions are hereby incorporated by reference in paragraph (b) of this certification.

(2) Contractor certifies that to the best of its knowledge and belief that on and after December 23,1989-

(a) No Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress on his or her behalf in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment or modification of any Federal contract, grant, loan, or cooperative agreement;

(b) If any funds other than Federal appropriated funds (including profit or fee received under a covered Federal transaction) have been paid, or will be paid, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress on his or her behalf in connection with a solicitation or order, the offeror shall complete and submit, with its offer, OMB standard form LLL, Disclosure of Lobbying Activities, in accordance with its instructions, and

(c) Contractor will include the language of this certification in all subcontracts at any tier and require that all recipients of subcontract awards in excess of $100,000 shall certify and disclose accordingly.

(3) Submission of this certification and disclosure is a prerequisite for making or entering into a contract as imposed by section 1352, title 31, United States Code. Any person who makes an expenditure prohibited under this provision or who fails to file or amend the disclosure form to be filed or amended by this provision, shall be subject to a civil penalty of not less than $10,000, and not more than $100,000, for each such failure.

(b) FAR 52.209-5 CERTIFICATION REGARDING DEBARMENT, SUSPENSION, PROPOSED DEBARMENT, AND OTHER RESPONSIBILITY MATTERS.

(1) Contractor certifies that, to the best of its knowledge and belief, that Contractor and/or any of its Principals, (as defined in FAR 52.209-5,) are not presently debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency.

(2) Contractor shall provide immediate written notice to LOCKHEED MARTIN if, any time prior to award of any contract, it learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.

(c) FAR 52.222-22 PREVIOUS CONTRACTS AND COMPLIANCE REPORTS.

Contractor represents that if Contractor has participated in a previous contract or subcontract subject to the Equal Opportunity clause (FAR 52.222-26) and (i) Contractor has filed all required compliance reports and (ii) that representations indicating submission of required compliance reports, signed by proposed subcontractors, will be obtained before subcontract awards.

(d) FAR 52.222-25 AFFIRMATIVE ACTION COMPLIANCE.

Contractor represents (1) that Contractor has developed and has on file at each establishment, affirmative action programs required by the rules and regulations of the Secretary of Labor (41 CFR 60-1 and 60-2), or (2) that in the event such a program does not presently exist, Contractor will develop and place in operation such a written Affirmative Action Compliance Program within 120 days from the award of this Contract.

(e) FAR 52.323-13 CERTIFICATION OF TOXIC CHEMICAL RELEASE REPORTING (Applicable to competitive solicitations/contracts which exceed $100,000)

(1) Submission of this certification is a prerequisite for making or entering into this contract imposed by Executive Order 12969, August 8, 1995.

(2) Contractor certifies that--

(a) As the owner or operator of facilities that will be used in the performance of this contract that are subject to the filing and reporting requirements described in section 313 of the Emergency Planning and Community Right-to-Know Act of 1986(EPCRA) (42 U.S.C. 11023) and section 6607 of the Pollution Prevention Act of 1990 (PPA) (42 U.S.C. 13106),Contractor will file and continue to file for such facilities for the life of the contract the Toxic Chemical Release Inventory Form (Form R) as described in sections 313(a) and (g) of EPCRA and section 6607 of PPA; or

(b) None of its owned or operated facilities to be used in the performance of this contract is subject to the Form R filing and reporting requirements because each such facility is exempt for at least one of the following reasons:

(i) The facility does not manufacture, process or otherwise use any toxic chemicals listed in 40 C.F.R. 372.65;

(ii) The facility does not have 10 or more full-time employees as specified in section 313(b)(1)(A) of EPCRA, 42 U.S.C. 11023(b)(1)(A);

(iii) The facility does not meet the reporting thresholds of toxic chemicals established under section 313(f) of EPCRA, 42 U.S.C. 11023(f) (including the alternate thresholds at 40 CFR 372.27, provided an appropriate certification form has been filed with EPA);

(iv) The facility does not fall within Standard Industrial Classification Code (SIC) codes or their corresponding North American Industry Classification System (NAICS); or

(A) Major group code 10 (except 1011, 1081, and 1094).

(B) Major group code 12 (except 1241).

(C) Major group codes 20 through 39.

(D) Industry code 4911, 4931, or 4939 (limited to facilities that combust coal and/or oil for the purpose of generating power for distribution in commerce).

(E) Industry code 4953 (limited to facilities regulated under the Resource Conservation and Recovery Act, Subtitle C (42 U.S.C. 6921, et seq.), 5169, 5171, or 7389 (limited to facilities primarily engaged in solvent recovery services on a contract or fee basis); or

(v) The facility is not located in the United States or its outlying areas.

CORPDOC 4A

LOCKHEED MARTIN

COST REIMBURSEMENT DEFENSE FEDERAL ACQUISITION REGULATION SUPPLEMENT (DFARS) FLOWDOWN PROVISIONS FOR SUBCONTRACTS/PURCHASE ORDERS FOR NON-COMMERCIAL ITEMS UNDER A U.S. GOVERNMENT PRIME CONTRACT

A. INCORPORATION OF DFARS CLAUSES

The Defense Federal Acquisition Regulation Supplement (DFARS) clauses referenced below are incorporated herein by reference, with the same force and effect as if they were given in full text, and are applicable, including any notes following the clause citation, to this Contract. If the date or substance of any of the clauses listed below is different from the date or substance of the clause actually incorporated in the Prime Contract referenced by number herein, the date or substance of the clause incorporated by said Prime Contract shall apply instead. The Contracts Disputes Act shall have no application to this Contract. Any reference to a "Disputes" clause shall mean the "Disputes" clause of this Contract

B. GOVERNMENT SUBCONTRACT

This Contract is entered into by the Parties in support of a U.S. Government contract.

As used in the clauses referenced below and otherwise in this Contract:

1. "Commercial Item" means a commercial item as defined in FAR 2.101.

2. "Contract" means this contract.

3. "Contracting Officer" shall mean the U.S. Government Contracting Officer for LOCKHEED MARTIN's government prime contract under which this Contract is entered.

4. "Contractor" or "Offeror" means the SELLER, as defined in CORPDOC 4, acting as the immediate (first-tier) subcontractor to LOCKHEED MARTIN.

5. "Prime Contract" means the contract between LOCKHEED MARTIN and the U.S. Government or between LOCKHEED MARTIN and its higher-tier contractor who has a contract with the U.S. Government.

6. "Subcontract" means any contract placed by the Contractor or lower-tier subcontractors under this Contract.

C. NOTES

1. Substitute "LOCKHEED MARTIN" for "Government" or "United States" throughout this clause.

2. Substitute "LOCKHEED MARTIN Procurement Representative" for "Contracting Officer", "Administrative Contracting Officer", and "ACO" throughout this clause.

3. Insert "and LOCKHEED MARTIN" after "Government" throughout this clause.

4. Insert "or LOCKHEED MARTIN" after "Government" throughout this clause.

5. Communication/notification required under this clause from/to Contractor to/from the Contracting Officer shall be through LOCKHEED MARTIN.

6. Insert "and LOCKHEED MARTIN" after "Contracting Officer" throughout the clause.

7. Insert "or LOCKHEED MARTIN Procurement Representative" after "Contracting Officer" throughout the clause.

D. AMENDMENTS REQUIRED BY PRIME CONTRACT

Contractor agrees that upon the request of LOCKHEED MARTIN it will negotiate in good faith with LOCKHEED MARTIN relative to amendments to this Contract to incorporate additional provisions herein or to change provisions hereof, as LOCKHEED MARTIN may reasonably deem necessary in order to comply with the provisions of the applicable Prime Contract or with the provisions of amendments to such Prime Contract. If any such amendment to this Contract causes an increase or decrease in the estimated cost of, or the time required for, performance of any part of the Work under this Contract, an equitable adjustment shall be made pursuant to the "Changes" clause of this Contract.

E. PRESERVATION OF THE GOVERNMENT'S RIGHTS

If LOCKHEED MARTIN furnishes designs, drawings, special tooling, equipment, engineering data, or other technical or proprietary information (Furnished Items) which the U.S. Government owns or has the right to authorize the use of, nothing herein shall be construed to mean that LOCKHEED MARTIN, acting on its own behalf, may modify or limit any rights the Government may have to authorize the Contractor's use of such Furnished Items in support of other U.S. Government prime contracts.

F. DOD FAR SUPPLEMENT (DFARS) FLOWDOWN CLAUSES

	REFERENCE	TITLE
1.	THE FOLLOWING DFARS CLAUSES APPLY TO THIS CONTRACT:	
(a)	252.225-7001	BUY AMERICAN ACT AND BALANCE OF PAYMENTS PROGRAM (APR 2003) (Applicable if the Work contains other than domestic components. Applicable in lieu of FAR 52.225-1 and FAR 52.225-5.)
(b)	252.225-7014	PREFERENCE FOR DOMESTIC SPECIALTY METALS (MAR 1998) and ALT I (MAR 1998) (Applicable if the Work to be furnished contains specialty metals.)
(c)	252.225-7021	TRADE AGREEMENTS (AUG 2003) (Applicable if the Work contains other than domestic components. Applicable in lieu of FAR 52.225-1 and FAR 52.225-5.)
(d)	252.227-7013	RIGHTS IN TECHNICAL DATA - NON-COMMERCIAL ITEMS (NOV 1995) (Applicable in lieu of FAR 52.227-14.)
(e)	252.227-7014	RIGHTS IN NON-COMMERCIAL COMPUTER SOFTWARE AND NON-COMMERCIAL COMPUTER SOFTWARE DOCUMENTATION (JUN 1995) (Applicable in lieu of FAR 52.227-14.)
(f)	252.227-7016	RIGHTS IN BID OR PROPOSAL INFORMATION (JUN 1995)
(g)	252.227-7019	VALIDATION OF ASSERTED RESTRICTIONS - COMPUTER SOFTWARE (JUN 1995)
(h)	252.227-7025	LIMITATIONS ON THE USE OR DISCLOSURE OF GOVERNMENT-FURNISHED INFORMATION MARKED WITH RESTRICTIVE LEGENDS (JUN 1995) (For paragraph (c)(1), Note 3 applies.)
(i)	252.227-7026	DEFERRED DELIVERY OF TECHNICAL DATA OR COMPUTER SOFTWARE (APR 1988) (Note 1 applies.)
(j)	252.227-7027	DEFERRED ORDERING OF TECHNICAL DATA OR COMPUTER SOFTWARE (APR 1988) (Note 1 applies, only the first time "Government appears.)
(k)	252.227-7028	TECHNICAL DATA OR COMPUTER SOFTWARE PREVIOUSLY DELIVERED TO THE GOVERNMENT (JUN 1995) (The term "contract" and "subcontract" shall not change in meaning, except for the first reference to "contract".)
(l)	252.227-7030	TECHNICAL DATA - WITHHOLDING OF PAYMENT (MAR 2000) (Notes 1 and 2 apply to (a). Note 4 applies to (b))
(m)	252.227-7036	DECLARATION OF TECHNICAL DATA CONFORMITY (JAN 1997)
(n)	252.227-7037	VALIDATION OF RESTRICTIVE MARKINGS ON TECHNICAL DATA (SEP 1999)
(o)	252.228-7005	ACCIDENT REPORTING AND INVESTIGATION INVOLVING AIRCRAFT, MISSILES, AND SPACE LAUNCH VEHICLES (DEC 1991) (In paragraph (a), Note 5 applies. In paragraph (b), Note 3 applies.)

(p) 252.231-7000 SUPPLEMENTAL COST PRINCIPLES (DEC 1991)

(q) 252.243-7001 PRICING OF CONTRACT MODIFICATIONS (DEC 1991)

(r) 252.247-7024 NOTIFICATION OF TRANSPORTATION OF SUPPLIES BY SEA (MAR 2000) (Applicable if this Contract meets the criteria set forth in paragraph (b) (2) (ii) of the clause. Notes 1 and 2 apply)

2. THE FOLLOWING DFARS CLAUSES APPLY TO THIS CONTRACT IF THE VALUE OF THIS CONTRACT EQUALS OR EXCEEDS $100,000:

(a) 252.203-7001 PROHIBITION ON PERSONS CONVICTED OF FRAUD OR OTHER DEFENSE CONTRACT-RELATED FELONIES (MAR 1999) (In this clause, the terms "contract", "contractor", and "subcontract" shall not change in meaning in paragraphs (a) thru (d). Delete paragraph g. Note 5 applies.)

(b) 252.209-7000 ACQUISITION FROM SUBCONTRACTORS SUBJECT TO ON-SITE INSPECTION UNDER THE INTERMEDIATE RANGE NUCLEAR FORCES (INF) TREATY (NOV 1995) (Note 5 applies.)

(c) 252.247-7023 TRANSPORTATION OF SUPPLIES BY SEA (MAY 2002) (Applicable in lieu of FAR 52.247-64 in all Contracts for ocean transportation of supplies. In the first sentence of paragraph (g) insert a period after "Contractor" and delete the balance of the sentence. Paragraphs (f) and (g) shall not apply if this Contract is at or below $100,000. Notes 1 and 2 apply to paragraph (g).)

3. THE FOLLOWING DFARS CLAUSES APPLY TO THIS CONTRACT IF THE VALUE OF THIS CONTRACT EQUALS OR EXCEEDS $500,000:

(a) 252.225-7026 REPORTING OF CONTRACT PERFORMANCE OUTSIDE THE UNITED STATES (APR 2003) (Delete paragraph (c).)

(b) 252.249-7002 NOTIFICATION OF ANTICIPATED CONTRACT TERMINATION OR REDUCTION (DEC 1996) (Note 2 applies. Delete paragraph (d) (1) and the first five words of paragraph (d) (2).)

4. THE FOLLOWING DFARS CLAUSES APPLY TO THIS CONTRACT IF THE VALUE OF THIS CONTRACT EQUALS OR EXCEEDS $1,000,000:

(a) 252.211-7000 ACQUISITION STREAMLINING (DEC 1991) (Note 1 applies.)

5. THE FOLLOWING DFARS CLAUSES APPLY TO THIS CONTRACT AS INDICATED:

(a) 252.215-7000 PRICING ADJUSTMENTS (DEC 1991) (Applicable if FAR 52.215-12 or 52.215-13 applies to this Contract.)

(b) 252.219-7003 SMALL, SMALL DISADVANTAGED AND WOMEN-OWNED SMALL BUSINESS SUBCONTRACTING PLAN (DoD CONTRACTS) (APR 1996) (Applicable if FAR 52.219-9 applies to this Contract. Delete paragraph (g).)

(c) 252.223-7001 HAZARD WARNING LABELS (DEC 1991) (Applicable if this Contract requires the delivery of hazardous materials.)

(d) 252.223-7002 SAFETY PRECAUTIONS FOR AMMUNITION AND EXPLOSIVES (MAY 1994) (Applicable only if the articles furnished under this Contract contain ammunition or explosives, including liquid and solid propellants. Notes 2, 3, and 5 apply to paragraphs g(1)(i) and e(1)(ii). Note 3 applies. Delete "prime" to g(1)(ii) and add "and LOCKHEED MARTIN Procurement Representative". Delete in g(1)(ii) "substituting its name for references to the Government".)

(e) 252.223-7003 CHANGE IN PLACE OF PERFORMANCE - AMMUNITION AND EXPLOSIVES (DEC 1991) (Applicable if DFARS 252.223-7002 applies to this Contract. Notes 2 and 4 apply.)

(f) 252.223-7007 SAFEGUARDING SENSITIVE CONVENTIONAL ARMS, AMMUNITION, AND EXPLOSIVES (SEP 1999) (Applicable if this Contract is for the development, production, manufacture, or purchase of arms, ammunition, and explosives or when arms, ammunition, and explosives will be provided to Contractor as Government Furnished Property.)

(g) 252.225-7001 BUY AMERICAN ACTBALANCE OF PAYMENTS PROGRAM (APR 2003) (Applicable if the Work contains other than domestic components. Applicable in lieu of FAR 52.225-1 and FAR 52.225-5.)

(h) 252.225-7016 RESTRICTION ON ACQUISITION OF BALL AND ROLLER BEARINGS (APR 2003) (Applicable if Work supplied under this Contract contains ball or roller bearings. Note 2 applies.)

(i) 252.225-7021 TRADE AGREEMENTS (AUG 2003) (Applicable if the Work contains other than domestic components. Applicable in lieu of FAR 52.225-1 and FAR 52.225-5.)

(j) 252.225-7033 WAIVER OF UNITED KINGDOM LEVIES (OCT 1992) (Applicable if this Contract is with a United Kingdom firm. Note 2 applies. Note 3 applies to (c)(3).)

(k) 252.225-7043 ANTI-TERRORISM/FORCE PROTECTION FOR DEFENSE CONTRACTORS OUTSIDE THE UNITED STATES (JUN 1998) (Applies where contractor will be performing or traveling outside the U.S. under this Contract. For paragraph (c), see applicable information cited in DFARS 225.7401.)

(l) 252-226-7001 UTILIZATION OF INDIAN ORGANIZATIONS, AND INDIAN-OWNED ECONOMIC ENTERPRISES AND NATIVE HAWAIIN SMALL BUSINESS CONCERNS (OCT 2003) (This clause is applicable only when included in LOCKHEED MARTIN's Prime Contract and if this contract is more than $500,000. In e(l), "Contractor" shall mean "LOCKHEED MARTIN". Note 2 applies to (c) the first time "Contracting Officer" appears.)

(m) 252.235-7003 FREQUENCY AUTHORIZATION (DEC 1991) (Applicable if this Contract requires developing, producing, constructing, testing, or operating a device requiring a frequency authorization. Note 2 applies.)

(n) 252.245-7001 REPORTS OF GOVERNMENT PROPERTY (MAY 1994) (Applicable if Government Property is provided or acquired under this Contract. Contractor shall submit its required reports to LOCKHEED MARTIN. In paragraph (a)(3), change October 31 to October 10.)

PURCHASE ORDER NO. DM259735 - SECTION A

Date: March 24, 2005

Seller:	Ocean Power Technologies (OPT) 1590 Reed Rd. Pennington, NJ 08534	Payment Terms: Govt. Contract No.:	Net 30 N00039-04-C-0035
Attention:	Ms. Debbie Montagna	DPAS Rating:	DO-A7

1. PARTIES/TYPE OF CONTRACT

This cost plus fixed fee (CPFF) Purchase Order between Lockheed Martin Maritime Systems & Sensors, a business unit of Lockheed Martin Corporation (hereinafter referred to as "Buyer") located at 9500 Godwin Drive, Manassas, VA 20110 and Ocean Power Technologies (OPT), (hereinafter referred to as "Seller") located at 1590 Reed Rd., Pennington, NJ 08534 definitizes Letter Contract #DM259735 and is placed on the basis set forth herein.

The Buyer's procurement representative is the only person authorized to approve changes to the terms and conditions or the requirements of the Purchase Order. If the Seller complies with any order, direction, interpretation, approval, or disapproval, conditional approval, or determination (written or oral), from someone other than the Buyer's procurement representative, it shall be at Seller's own risk and Buyer shall not be liable for any increased cost or delay in performance in accordance with the requirements set forth herein. The Seller shall ensure that all Seller's personnel are aware of this provision.

Buyer is a signatory to the Defense Industry Initiatives on Business Conduct and Ethics (DII).

The Seller agrees to indemnify Buyer for any amounts required to be paid to the United States Government by virtue of the Seller's violation of Public Law 100-679 (see FAR 52.203- 10(c)). This applies to Purchase Orders over $50,000 or Purchase Order modifications over $50,000.

2. PRODUCT/SERVICES

Seller will provide articles, services and/or data as set forth in Schedule A of this purchase order (copy attached).

3. REQUIREMENTS/DATA

This is a rated order certified for national defense use, and Seller shall follow all requirements of the Defense Priorities and Allocations System Regulation (15 CFR Part 350). Seller accepts said rating unless rejected in writing within ten (10) days if "DO" rating, or five (5) days if "DX" rating from the date of order receipt.

- Government Contract Number N00039-04-C-0035

- DPAS Rating: DO-A7

Seller will provide work effort as set forth in Attachment 3, Statement of Work #2005-PC4-4 for the Advanced Deployable System (ADS) Aboard the Littoral Combat Ship (LCS) Development dated 22 February 2005 which is incorporated herein and made a part hereof by reference.

All drawings, specifications or other documents referenced in this Purchase Order, but not attached are incorporated and made a part by this reference.

4. PERIOD OF PERFORMANCE AND/OR DELIVERY SCHEDULE

Work under this Purchase Order shall commence on September 14, 2004 (authorized via the Letter Contract) and continue through October 31, 2005 or as amended by Buyer in accordance with Terms and Conditions herein.

Articles, services and/or data shall be delivered in accordance with the delivery dates contained in the Statement of Work, Attachment 3 and the Integrated Master Plan (IMP) and Integrated Master Schedule (IMS).

All articles, services and/or data shall be delivered as directed by the ADS LCS Program Manager, the SOW or other attachments to this Purchase Order.

A. Packing Slip

Seller shall submit a packing slip with each shipment of supplies against this Purchase Order/Release. At a minimum, the packing slip shall contain the following information:

1. Purchase Order Number/Release Number

2. Itemized list of supplies within the shipment

3. List of back-order items remaining to be delivered

4. Date of shipment

5. CONSIDERATION AND PAYMENT

The total agreed price for the work identified in this Purchase Order is $1,527,212.00. Seller is not authorized to incur any costs, obligations, or liabilities, of any nature whatsoever for the amount and any such additional costs, obligations, or liabilities incurred or assumed by Seller shall be at his sole risk and account and the Buyer and/or the Government shall not be liable in any manner to pay or reimburse Seller on account thereof. Seller shall notify Buyer when the amount of costs incurred is within eighty five (85%) of the above-cited ceiling.

In the event of a termination or cancellation of this Purchase Order or part thereof, Buyer's sole obligation shall be to pay Seller for satisfactory services performed prior to the date of termination or cancellation. Such payment is subject, in the case of termination for material breach, to a setoff and/or payment of damages or losses incurred by Buyer as a result of any breach.

This purchase order is incrementally funded with respect to both cost and fee in accordance with FAR 52.232-20 and 52.232-22. The amounts presently available and allotted to this purchase order for payment of cost and fee are as follows:

Line Item 001	Allocated to Cost	$1,388,375.00	Line Item 002 Not Separately Priced
	Allocated to Fixed Fee	$ 138,837.00	
	Total	$1,527,212.00	

Buyer shall make payments on account of fixed fee equal to the stated amount for work performed and submitted by Seller under FAR clauses 52.216-7 entitled "Allowable Cost and Payment" and 52.216-8 entitled "Fixed Fee" of the attached FAR Supplemental Terms and Conditions for cost reimbursement type subcontracts, subject to withholding provisions of said clauses.

6. INVOICING

All invoice originals and one (1) copy shall be submitted to the following:

Lockheed Martin Shared Services
Accounts Payable

Attention: OHM Desk - MANPUR
PO Box 33064
Lakeland, FL 33807-3064

INVOICES

Each invoice submitted for payment shall indicate complete Purchase Order number and be set up in accordance with the line items specified in this Purchase Order and Schedule A.

One (1) copy of each invoice and all correspondence pertaining to this Purchase Order shall be sent via e-mail to the Subcontract Administrator: Brenda Aanderud brenda.aanderud@lmco.com.

7. INSPECTION AND ACCEPTANCE

Inspection and acceptance criteria shall be as set forth in the SOW and Systems Engineering Management Plan (SEMP).

8. TERMS AND CONDITIONS

This Purchase Order is subject to the following terms and conditions:

- Lockheed Martin Corporation, CORPDOC 4 and 4A dated 10/03, Cost Reimbursement General Provisions and FAR Flowdowns for Subcontracts/Purchase Orders (All Agencies) for Non- Commercial Items under a U.S. Government Prime Contract.

- Proprietary Information Exchange Agreement No. MAN2004048.

9. SPECIAL PROVISIONS

The following special provisions shall apply to this Purchase Order:

- Sections B - J of this purchase order including reference attachments.

10. ORDER OF PRECEDENCE

In the event of an inconsistency in this Purchase Order, unless otherwise provided herein, the inconsistency shall be resolved by giving precedence in the following order.

(a) Body of the Purchase Order Section A Including Schedule A and CORPDOC 4 & 4A

(b) Sections B - J of the Purchase Order

(c) Statement of Work and Contract Data Requirements List

(d) Specifications

(e) All Other Documents

11. ACCEPTANCE

This Purchase Order is the entire agreement between Buyer and Seller. It supersedes all prior agreements, oral or written and all other communications relating to the subject matter of this Purchase Order.

Any terms contained in Seller's invoices, acknowledgments, shipping instructions or other forms that are inconsistent with or different from this Purchase Order, shall be void and of no effect.

This Purchase Order is executed in duplicate originals as of the date specified on page one (1).

Please sign and return this Purchase Order to Buyer within ten (10) working days after receipt.

Lockheed Martin Maritime System & Sensors	Oceans Power Technologies, Inc. 1590 Reed Rd. Pennington, NJ 08534
By: /s/ Brenda Aanderud --------------------------------- Brenda Aanderud Title: Staff Subcontract Administrator Date: 3/27/05	By: /s/ Charles F. Dunleavy ----------------------------------- Title: C.F.O. Date: 4/6/2005

Lockheed Martin Manassas
9500 Godwin Drive Manassas, VA 20 -415
Telephone 703-367-2121

LOCKHEED MARTIN

In Reply Refer To: LM05-ADSLCS031-BKA079

January 19, 2005

Ocean Power Technologies
1590 Reed Rd.
Pennington, NJ 08534

Attention: Ms. Debbie Montagna

Subject: Letter Contract Definitization

Reference: a) LM MS2 Letter #LM04-ADSLCS027-BKA075 dated December 22, 2004

b) OPT Proposal dated April 29, 2004 (with pricing update/correction provided 30-Apr-04 and 05-May-04), Revision dated August 4, 2004 and Update Provided on 11/15/04

c) LM MS2 Letter Contract #DM259735

Dear Ms. Montagna

This letter is to revise the offer presented in the reference a) letter. An offer of $1,527,212 is extended for the definitized subcontract based on OPT's proposal update on 11/15/04.

Please indicate your acceptance of this offer by signing below and returning a copy of this letter. Acceptance will also indicate confirmation that the fee included in the updated proposal/offer does not exceed 10%. OPT is also required to provide certified cost or pricing data in accordance with the attached form F 630.

Please contact me at 703/367-3223 if you have any questions regarding this information.

Sincerely,	ACCEPTED AND AGREED TO:
	Ocean Power Technologies (OPT)
/s/ Brenda Aanderud	/s/ Charles F. Dunleavy
Brenda Aanderud	By: Charles F. Dunleavy
Subcontract Administrator	Title: CFO
	Date: 20 January 2005

Attachment - Form F 630

LOCKHEED MARTIN

Certificate of Current Cost or Pricing Data--FAR-Covered Contracts

This is to certify that, to the best of my knowledge and belief, cost or pricing data (as defined in section 2.101 of the Federal Acquisition Regulation (FAR) and required under FAR subsection 15.403-4) submitted, either actually or by specific identification in writing, to Lockheed Martin in support of

Cost proposal by Ocean Power Technologies, Inc., as

revised November 15, 2004 for ADS on LCS

are accurate, complete, and current as of 20 (day) January (month) 2005 (year)

This certification includes the cost or pricing data supporting any advance agreements and forward pricing rate agreements between the offeror and the Government or Lockheed Martin that are part of the proposal.

Firm Ocean Power Technologies, Inc.
Name Charles F. Dunleavy

Signature /s/ Charles F. Dunleavy
Title C.F.O.

Date of Execution 20 January 2005

* Describe the proposal, quotation, request for price adjustment, or other submission involved, giving the appropriate identifying number (for example, RFP No. _____).

** Insert the day, month, and year when price negotiations were concluded and price agreement was reached. Or, if applicable, an earlier date agreed upon between the parties that is as close as practicable to the date of agreement on price.

*** Insert the day, month, and year of signing, which should be as close as practicable to the date when price negotiations were concluded and the contract price was agreed to.

Post-Proposal Letter Contract

LOCKHEED MARTIN

Subcontractor: Ocean Power Technologies (OPT)
1590 Reed Rd.
Pennington, NJ 08534

Date: 3/10/05

Prime or Customer Contract No.: N00039-04-C-0035

Subject: LOCKHEED MARTIN CORPORATION- Maritime Systems & Sensors (MS2)

Modification 02 to Letter Contract No. DM259735:

Reference:

a) MS2 Request for Proposal (RFP) No. 29-RA-042904 dated April 8, 2004 and All Amendments

b) OPT Proposal dated April 29, 2004 (with pricing update/correction provided 30-Apr-04 and 05-May-04) and Revision dated August 4, 2004

c) Letter Contract No. DM259735 dated 9/17/04

d) Confirmation of Negotiations dated January 19, 2005

Refer to Letter Contract #DM259735 dated 9/17/04 and make the following addition, deletions, changes and modifications hereinafter set forth:

- Revise Paragraph 4 as follows: "The total Not-to-Exceed (NTE) price of this contract is $1,527,212.00."

- Revise Paragraph 5 as follows:

  "This contract is incrementally funded. Lockheed Martin's limitation of obligation to pay under this subcontract is $1,145,409.00. The funds are expected to be adequate for performance of the Work until June 18, 2005.

Except as hereby amended, all provisions of the letter contract, including modifications thereto, shall remain unmodified and in full force and effect and shall also apply in carrying out the provisions of this modification.

This authorization is subject to your prompt acceptance. Please return a signed copy by FAX no later than cob, Tuesday, March 15, 2005, confirming your acceptance of the contents herein and acknowledging that the effort authorized has been initiated.

Contractor: OCEAN POWER TECHNOLOGIES	LOCKHEED MARTIN CORPORATION
By: /s/ Charles F. Dunleavy	By: /s/ Bruce Gaines
Title: C.F.O.	Title: Staff Subcontract Administrator
Date: 3/11/05	Date: 3/10/05

Lockheed Martin Corporation
Maritime Systems & Sensors
9500 Godwin Drive
Manasaas, Va. 20110-4157

Modification 01
To Purchase Order No. DM259735

Date: April 27, 2005

Seller: Ocean Power Technologies
1590 Reed Rd.
Pennington, NJ 08534

Attention: Ms. Debbie Montagna

This modification is subject to the terms and conditions contained in the original purchase order and subsequent modifications and the additional instructions hereinafter set forth:

Articles/services and/or data provided hereunder will be used on Government Contract Number N00039-04-C-0035.

This is a rated order certified for National Defense use, and seller shall follow all requirements of the Defense Priorities and Allocations System Regulation (15 CFR part 700). Seller accepts said rating unless rejected in writing within 10 days if DO rating, or 5 days if DX rating from the date of order receipt.

DPAS Rating: DO-A7.

BODY OF ALTERATION

Refer to the above Purchase Order Number DM259735 and make the additions, deletions, changes and/or modifications hereinafter set forth:

1. Refer to the PO Para 5 Consideration and Payment and add the following statement:

   "This PO is fully funded at the total price of $1,527,212.00."

2. Schedule A

   Delete the existing Schedule A dated March 24, 2005 and update with the revised Schedule A dated April 24,2005 - copy attached.

PO #DM259735, Modification 03
September 2, 2005

ACCEPTANCE

Except as hereby amended, all provisions of the purchase order, including modifications thereto, shall remain unmodified and in full force and effect and shall also apply in carrying out the provisions of this modification.

This modification is executed in duplicate originals as of the effective date of Buyer's signature on last page.

This modification must be signed and returned to the buyer within ten (10) working days after receipt.

BUYER: Lockheed Martin Corporation
Maritime Systems & Sensors
9500 Godwin Drive
Manassas, VA 20110-4157

/s/ Bruce Gaines

BY: Bruce Gaines
TITLE: Staff Subcontract Administrator
DATE: April 27, 2005

SELLER: Ocean Power Technologies
1590 Reed Rd.
Pennington, NJ 08534

BY: /s/ Charles F. Dunleavy

TITLE: CFO
DATE: April 27, 2005

Purchase Order Number DM259735 - Mod 01
SCHEDULE "A"
DATED APRIL 27, 2005

P.O. LINE ITEM	CLIN	DESCRIPTION	AUTHORIZED FUNDING COST	COM	FIXED FEE	TOTAL CPFF
001	0001	ADS LCS Technology Development Phase	$1,388,375.00		###	$1,527,212.00
002	0002	Data for CLIN 0001	NSP	NSP	NSP	NSP
	Total Contract		$1,388,375.00	$0.00	$138,837.00	$1,527,212.00
		Total Authorized Funding - All Line Items =	$1,527,212.00			

P.O. LINE ITEM	CLIN	DESCRIPTION	PERIOD OF PERFORMANCE	ESTIMATED COST + COM	FIXED FEE	TOTAL TARGET COST
001	0001	ADS LCS Technology Development Phase	9/14/04- 10/31/05	$1,388,375.00	$138,837.00	$1,527,212.00
002	0002	Data for CLIN 0001	9/14/04-10/31/05	NSP	NSP	NSP
	Total Contract			$1,388,375.00	$138,837.00	$1,527,212.00
		Total Authorized Funding - All Line Items =				

Lockheed Martin Corporation
Maritime Systems & Sensors
9500 Godwin Drive
Manasaas, Va. 20110-4157

Modification 02
To Purchase Order No. DM259735

Date: August 5, 2005

Seller: Ocean Power Technologies
1590 Reed Rd.
Pennington, NJ 08534

Attention: Ms. Debbie Montagna

This modification is subject to the terms and conditions contained in the original purchase order and subsequent modifications and the additional instructions hereinafter set forth:

Articles/services and/or data provided hereunder will be used on Government Contract Number N00039-04-C-0035.

This is a rated order certified for National Defense use, and seller shall follow all requirements of the Defense Priorities and Allocations System Regulation (15 CFR part 700). Seller accepts said rating unless rejected in writing within 10 days if DO rating, or 5 days if DX rating from the date of order receipt.

DPAS Rating: DO-A7.

BODY OF ALTERATION

Refer to the above Purchase Order Number DM259735 and make the additions, deletions, changes and/or modifications hereinafter set forth:

1. LINE IREM 001

Incremental funding for Line Item 001 is increased by $98,000.00 from $1,527,212.00 to $1,625,212.00.

Allocated to Costs	$1,486,375
Allocated to Fixed Fee	$ 138,837
Ttoal Authorized Funding	$1,625,212

2. Schedule A

Delete the existing Schedule A dated April 27, 2005 and update with the revised Schedule A dated August 5, 2005 - copy attached.

PO #DM259735, Modification 03
September 2, 2005

ACCEPTANCE

Except as hereby amended, all provisions of the purchase order, including modifications thereto, shall remain unmodified and in full force and effect and shall also apply in carrying out the provisions of this modification.

This modification is executed in duplicate originals as of the effective date of Buyer's signature on last page.

This modification must be signed and returned to the buyer within ten (10) working days after receipt.

BUYER: Lockheed Martin Corporation
Maritime Systems & Sensors
9500 Godwin Drive
Manassas, VA 20110-4157

/s/ Bruce Gaines

Bruce Gaines
Staff Subcontract Administrator

DATE: August 5, 2005

SELLER: Ocean Power Technologies
1590 Reed Rd.
Pennington, NJ 08534

DATE:

Purchase Order Number DM259735 - Mod 02
SCHEDULE "A"
DATED AUGUST 5, 2005

P.O. LINE ITEM	CLIN	DESCRIPTION	AUTHORIZED FUNDING COST	COM	FIXED FEE	TOTAL CPFF
001	0001	ADS LCS Technology Development Phase	$1,462,691.00		###	$1,625,212.00
002	0002	Data for CLIN 0001	NSP	NSP	NSP	NSP
	Total Contract		$1,486,375.00	$0.00	$138,837.00	$1,625,212.00
		Total Authorized Funding - All Line Items =	$1,625,212.00			

P.O. LINE ITEM	CLIN	DESCRIPTION	PERIOD OF PERFORMANCE	ESTIMATED COST + COM	FIXED FEE	TOTAL TARGET COST
001	0001	ADS LCS Technology Development Phase	9/14/04- 10/31/05	$1,388,375.00	$138,837.00	$1,527,212.00
002	0002	Data for CLIN 0001	9/14/04-10/31/05	NSP	NSP	NSP
	Total Contract			$1,388,375.00	$138,837.00	$1,527,212.00
		Total Authorized Funding - All Line Items =				

Lockheed Martin Corporation
Maritime Systems & Sensors
9500 Godwin Drive
Manasaas, Va. 20110-4157

Modification 03
To Purchase Order No. DM259735

Date: September 2, 2005

Seller: Ocean Power Technologies
1590 Reed Rd.
Pennington, NJ 08534

Attention: Ms. Debbie Montagna

This modification is subject to the terms and conditions contained in the original purchase order and subsequent modifications and the additional instructions hereinafter set forth:

Articles/services and/or data provided hereunder will be used on Government Contract Number N00039-04-C-0035.

This is a rated order certified for National Defense use, and seller shall follow all requirements of the Defense Priorities and Allocations System Regulation (15 CFR part 700). Seller accepts said rating unless rejected in writing within 10 days if DO rating, or 5 days if DX rating from the date of order receipt.

DPAS Rating: DO-A7.

BODY OF ALTERATION

Refer to the above Purchase Order Number DM259735 and make the additions, deletions, changes and/or modifications hereinafter set forth:

1. LINE IREM 001

   Incremental funding for Line Item 001 is increased by $3,293.00 from $1,625,212.00 to $1,628,505.00.

2. Schedule A

   Delete the existing Schedule A dated August 5, 2005 and update with the revised Schedule A dated September 2, 2005 - copy attached.

PO #DM259735, Modification 03
September 2, 2005

ACCEPTANCE

Except as hereby amended, all provisions of the purchase order, including modifications thereto, shall remain unmodified and in full force and effect and shall also apply in carrying out the provisions of this modification.

This modification is executed in duplicate originals as of the effective date of Buyer's signature on last page.

This modification must be signed and returned to the buyer within ten (10) working days after receipt.

BUYER: Lockheed Martin Corporation
Maritime Systems & Sensors
9500 Godwin Drive
Manassas, VA 20110-4157

/s/ Bruce Gaines

Bruce Gaines

TITLE: Staff Subcontract Administrator

DATE: September 2, 2005

SELLER: Ocean Power Technologies
1590 Reed Rd.
Pennington, NJ 08534

BY:

TITLE:

Purchase Order Number DM259735 - Mod 02
SCHEDULE "A"
DATED SEPTEMBER 2, 2005

P.O. LINE ITEM	CLIN	DESCRIPTION	AUTHORIZED FUNDING COST	COM	FIXED FEE	TOTAL CPFF
001	0001	ADS LCS Technology Development Phase	$1,489,668.00		###	$1,625,212.00
002	0002	Data for CLIN 0001	NSP	NSP	NSP	NSP
	Total Contract		$1,489,668.00	$0.00	$138,837.00	$1,628,505.00
		Total Authorized Funding - All Line Items =	$1,628,505.00			

P.O. LINE ITEM	CLIN	DESCRIPTION	PERIOD OF PERFORMANCE	ESTIMATED COST + COM	FIXED FEE	TOTAL TARGET COST & FIXED FEE
001	0001	ADS LCS Technology Development Phase	9/14/04- 10/31/05	$1,388,375.00	$138,837.00	$1,527,212.00
002	0002	Data for CLIN 0001	9/14/04-10/31/05	NSP	NSP	NSP
	Total Contract			$1,388,375.00	$138,837.00	$1,527,212.00
		Total Authorized Funding - All Line Items =				

Exhibit 10.21

Marketing Cooperation Agreement

1. Parties. This marketing co-operation agreement is entered into as of the date of final execution hereof, by and between OCEAN POWER TECHNOLOGIES, INC., a corporation organized and existing under the laws of New Jersey, having its principal place of business at 1590 Reed Road, Pennington, NJ 08534 (hereinafter referred to as "OPT") and LOCKHEED MARTIN CORPORATION, a corporation organized and existing under the laws of the State of Maryland, USA, acting through its Maritime Systems and Sensors business unit, and having a place of business at 9500 Godwin Drive, Manassas, Virginia 20110-4157 (hereinafter referred to as "LM MS2"); the above parties may also be variously referred to as a "Party" or collectively as "Parties". The understandings arising hereunder shall apply only to the LM MS2 business unit and not to any other business unit, sector, group, division, subsidiary or affiliate of Lockheed Martin Corporation.

2. Purpose. The purpose of this document is to establish non-binding guidelines under which the parties will identify opportunities in which they may co-operatively market OPT's wave energy conversion technology for the mutual benefit of LM MS2 and OPT.

3. Basis. OPT and LM MS2 are currently working together on an SBIR project for the Department of Homeland Security. In this project OPT's wave energy conversion buoy houses and powers LM MS2 sensors to provide coastal surveillance of merchant vessels. OPT and LM MS2 have mutual interest in the pursuit of potential opportunities in Autonomous Maritime Sensing, Ocean Observation, and Autonomous Underwater Vehicle support for both Department of Defense and commercial customers. OPT has unique and extensive experience, knowledge and expertise in design, development, and support of wave energy conversion buoy technology. LM MS2 has extensive experience, knowledge, and expertise in sensor systems, underwater vehicles, systems engineering and integration, and program management.

4. Co-operative Marketing. Considering that the complimentary capabilities of the Parties can be expected to enhance their abilities to meet customer requirements, LM MS2 and OPT agree to work co-operatively to:

    a. Monitor Autonomous Maritime Sensing, Ocean Observation, Autonomous Underwater Vehicle and related programs for business opportunities of joint interest.

    b. Identify additional opportunities which could cost-effectively be addressed using OPT's wave energy conversion technology and LM MS2 capabilities.

    c. Determine together if, and how, LM MS2 and OPT should jointly pursue such opportunities.

5. Relationship of the Companies. LM MS2 and OPT shall at all times act as independent contractors in the activities contemplated hereunder. Neither party shall represent the other without prior written permission. Each Party shall bear its own cost, expenses, risks, and liabilities in connection with such activities.

Neither Party is under any obligation by virtue of this Agreement, except to discuss in good faith potential opportunities and to work together to market OPT's wave energy conversion technology. Once the parties jointly agree to pursue a specific marketing opportunity, both parties shall enter into a separate written agreement specifying what marketing and/or other resources each party will commit to the opportunity over a specified period of time. Additionally, the parties may mutually elect to enter separate teaming agreements to address opportunities of mutual interest.

6. Termination. This co-operative marketing agreement shall terminate and have no further effect upon occurrence of any of the following events:

    a. Thirty (30) days written notice by either Party.

    b. Expiration of three (3) years from the date of signing this document.

7. Entire Agreement. This agreement constitutes the sole and entire understanding and agreement of the Parties, superseding all prior representations relating to the subject matter hereof.

8. Points of Contact. The points of contact for the parties are as follows:

LM MS2 - Judy Dawson
9500 Godwin Drive
Manassas, VA 20110
Tel: 703-367-1486
Email: judy.dawson@imco.com

OPT - Deborah A. Montagna
1590 Reed Road
Pennington, NJ 08534
Tel: 609-730-0400 x-221
Email: dmontagna@oceanpowertech.com

LM MS2		OPT	
BY	/s/ [ILLEGIBLE]	BY:	/s/ GEORGE W. TAYLOR George W. Taylor
TITLE:	V.P. Business Development	TITLE:	CEO
DATE:	9/19/2006	DATE:	Sept 13, '06

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

When the common stock reverse stock split referred to in Note 14 of the Notes to Consolidated Financial Statements has been consummated, we will be in a position to issue the following consent.

/s/ KPMG LLP

The Board of Directors
Ocean Power Technologies, Inc.:

We consent to the use of our report included herein and to the references to our firm under the headings "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations - Change in Accountants" and "Experts" in the prospectus.

Our report refers to the Company's restatement of the consolidated statement of cash flows for the year ended April 30, 2005.

Philadelphia, Pennsylvania
April __, 2007

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Amendment No. 3 to Registration Statement No. 333-138595 of our report dated July 20, 2004, November 8, 2006 as to the effects of the restatement discussed in Note 1(b) and April, 2007 as to Note 14 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the restatement discussed in Note 1(b)) relating to the financial statements of Ocean Power Technologies, Inc. and subsidiary for the year ended April 30, 2004, appearing in the Prospectus, which is part of such Registration Statement, and to the reference to us under the headings "Selected Consolidated Financial Data" and "Experts" in such prospectus.

Parsippany, New Jersey
April 2007

The consolidated financial statements give effect to a 1-for-10 reverse stock split of the common stock of Ocean Power Technologies, Inc. which will be consummated prior to the effective date of the registration statement of which this prospectus is a part. The preceding consent is in the form which will be furnished by Deloitte & Touche LLP, an independent registered public accounting firm, upon completion of the 1-for-10 reverse stock split of the common stock of Ocean Power Technologies, Inc. described in Note 14 to the consolidated financial statements and assuming that from July 20, 2004 to the date of such completion no other material events have occurred that would affect the consolidated financial statements or require disclosure therein.

DELOITTE & TOUCHE LLP

/s/ Deloitte & Touche LLP

Parsippany, New Jersey
April 9, 2007

WILMERHALE

Robert A. Schwed

+1 212 937 7276 (t)
+1 212 230 8888 (f)
robert.schwed@wilmerhale.com

April 9, 2007

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Attention: Anita Karu

Re: Ocean Power Technologies, Inc.
Registration Statement on Form S-1
File No. 333-138595

Ladies and Gentlemen:

On behalf of Ocean Power Technologies, Inc. (the "Company"), submitted herewith for filing is Amendment No. 3 ("Amendment No. 3") to the Registration Statement referenced above (the "Registration Statement").

Amendment No. 3 is being filed in response to comments contained in the letter dated March 28, 2007 from H. Christopher Owings of the Staff (the "Staff") of the Securities and Exchange Commission (the "Commission") to Dr. George W. Taylor, the Company's Chief Executive Officer. The responses set forth below are based upon information provided to Wilmer Cutler Pickering Hale and Dorr LLP by the Company. The responses are keyed to the numbering of the comments and the headings used in the Staff's letter. Where appropriate, the Company has responded to the Staff's comments by making changes to the disclosure in the Registration Statement as set forth in Amendment No. 3. Page numbers referred to in the responses reference the applicable pages of Amendment No. 3.

On behalf of the Company, we advise you as follows:

Principal and Selling Stockholders, page 80

1. *We note your response to comment 11 in our letter dated February 26, 2007; however, we reissue that part of our comment asking you to disclose the natural persons with investment power over the shares held by Henderson Global Investors Limited.*

Response: The Company has revised the disclosure on page 81 of the Registration Statement in response to the Staff's comments.

Item 16. Exhibits, page II-3

2. *Please file the marketing cooperation agreement entered into with Lockheed in September 2006, or advise us.*

Response: The Company has filed this agreement as Exhibit 10.21 to the Registration Statement in response to the Staff's comments.

Exhibit 23.1

3. *Please obtain a currently dated consent from your auditor. See Item 601(b)(23) of Regulation S-K for guidance.*

Response: The auditor will file an unqualified, currently dated consent after the reverse stock split that is described in the Registration Statement is complete. The reverse split, which is currently anticipated to take place on April 20, 2007, will be complete prior to the Company requesting acceleration of the effectiveness of the Registration Statement.

Exhibit 23.2

4. *Please obtain a currently dated consent from your auditor. See Item 601(b)(23) of Regulation S-K for guidance.*

Response: The auditor will file an unqualified, currently dated consent after the reverse stock split that is described in the Registration Statement is complete. The reverse split, which is currently anticipated to take place on April 20, 2007, will be complete prior to the Company requesting acceleration of the effectiveness of the Registration Statement.

* * *

If you require additional information, please telephone either the undersigned at the telephone number indicated on the first page of this letter, or Sarah Madigan of this firm at (212) 937-7346.

Very truly yours,

/s/ Sarah Madigan for

Robert A. Schwed