NUVEEN CALIFORNIA SELECT TAX FREE INCOME PORTFOLIO
Form N-CSR
June 09, 2004

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-6623

Nuveen California Select Tax-Free Income Portfolio
(Exact name of registrant as specified in charter)

Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606
(Address of principal executive offices) (Zip code)

Jessica R. Droeger
Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606
(Name and address of agent for service)

Registrant's telephone number, including area code: (312) 917-7700

Date of fiscal year end: March 31

Date of reporting period: March 31, 2004

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

Nuveen Investments
Municipal Closed-End
Exchange-Traded
Funds

ANNUAL REPORT March 31, 2004

NUVEEN SELECT TAX-FREE INCOME PORTFOLIO
NXP

NUVEEN SELECT TAX-FREE INCOME PORTFOLIO 2
NXQ

NUVEEN SELECT TAX-FREE INCOME PORTFOLIO 3
NXR

NUVEEN CALIFORNIA SELECT TAX-FREE INCOME PORTFOLIO
NXC

NUVEEN NEW YORK SELECT TAX-FREE INCOME PORTFOLIO
NXN

Photo of: Man holding up small boy.
Photo of: 2 women with 2 girls looking at seashells.

DEPENDABLE,
TAX-FREE INCOME
BECAUSE
IT'S NOT WHAT YOU EARN,
IT'S WHAT YOU KEEP.(R)

Logo: NUVEEN Investments

FASTER INFORMATION
RECEIVE YOUR
NUVEEN FUND REPORT
ELECTRONICALLY

By registering for electronic delivery, you will receive an e-mail as soon as your Nuveen Fund information is available. Click on the link and you will be taken directly to the report. Your Fund report can be viewed and saved on your computer. Your report will arrive faster via e-mail than by traditional mail.

Registering is easy and only takes a few minutes (see instructions at right).

SOME COMMON CONCERNS:

WILL MY E-MAIL ADDRESS BE DISTRIBUTED TO OTHER COMPANIES?

No, your e-mail address is strictly confidential and will not be used for anything other than notification of shareholder information.

WHAT IF I CHANGE MY MIND AND WANT TO RECEIVE INVESTOR MATERIALS THROUGH REGULAR

MAIL DELIVERY AGAIN?

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IF YOUR NUVEEN FUND DIVIDENDS AND STATEMENTS

COME FROM YOUR FINANCIAL ADVISOR OR BROKERAGE ACCOUNT,

FOLLOW THE STEPS OUTLINED BELOW:

1 Go to WWW.INVESTORDELIVERY.COM and follow the simple instructions, using the address sheet that accompanied this report as a guide.

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3 Click Submit. Confirm the information you just entered is correct, then click Submit again.

4 You should get a confirmation e-mail within 24 hours. If you do not, go back through these steps to make sure all the information is correct.

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IF YOUR NUVEEN FUND DIVIDENDS AND STATEMENTS

COME DIRECTLY TO YOU FROM NUVEEN,

FOLLOW THE STEPS OUTLINED BELOW:

1 Go to WWW.NUVEEN.COM

2 Select ACCESS YOUR ACCOUNT. Select the E-REPORT ENROLLMENT section. Click on Enrollment Today.

3 You'll be taken to a screen that asks for your Social Security number and e-mail address. Fill in this information, then click Enroll.

4 You should get a confirmation e-mail within 24 hours. If you do not, go back through these steps to make sure all the information is correct.

5 Use this same process if you need to change your registration information or cancel internet viewing.

Logo: NUVEEN Investments

Photo of: Timothy R. Schwertfeger
Chairman of the Board

Sidebar text: WE THINK THAT MUNICIPAL BOND INVESTMENTS LIKE YOUR NUVEEN FUND CAN BE IMPORTANT BUILDING BLOCKS IN A WELL-BALANCED PORTFOLIO.

Dear
SHAREHOLDER

I am very pleased to report that for the period ended March 31, 2004, your

Nuveen Fund continued to provide you with attractive monthly tax-free income.

While tax-free income always is welcome, many of you may have begun to wonder whether interest rates will rise, and whether that possibility should cause you to adjust your holdings of tax-free municipal bond investments. We believe that these are questions that should be thought through with a clear focus on your long-term financial goals and not on day-to-day market movements. By maintaining a carefully balanced portfolio with the help of a trusted investment professional, you may be able to reduce your overall investment risk over the long-term, and give yourself a better chance to meet your ultimate financial goals.

As you read through this report, please don't skip the inside front cover. I urge you to consider receiving future Fund reports and other Fund information by e-mail and the Internet. Not only will you be able to receive the information faster, but this also may help lower your Fund's expenses. Sign up is quick and easy.

Since 1898, Nuveen Investments has offered financial products and solutions that incorporate careful research, diversification and the application of conservative risk-management principles. We are grateful that you have chosen us as a partner as you pursue your financial goals. We look forward to continuing to earn your trust in the months and years ahead.

Sincerely,

/s/ Timothy R. Schwertfeger

Timothy R. Schwertfeger
Chairman of the Board

May 15, 2004

Nuveen Select Portfolios
NXP, NXQ, NXR, NXC, NXN

Portfolio Managers'
COMMENTS

Portfolio managers Tom Spalding, Scott Romans, and Paul Brennan review the market environment at the national and state levels, key investment strategies, and the annual performance of the Nuveen Select Tax-Free Income Portfolios. With 29 years of investment experience, Tom has managed NXP, NXQ, and NXR since 1999. Scott, who joined Nuveen in 2000, and Paul, who has 13 years of investment experience, assumed portfolio management responsibility for NXC and NXN, respectively, in January 2003.

WHAT FACTORS AFFECTED THE U.S. ECONOMY AND MUNICIPAL MARKET DURING THE REPORTING PERIOD ENDED MARCH 31, 2004?

During this reporting period, the greatest influences on the national economy and the municipal market continued to be historically low interest rates, little movement in the reported rate of inflation and growing evidence of economic improvement. Since its last credit easing in June 2003, the Federal Reserve has maintained the fed funds rate at 1.0%, the lowest level since 1958. This accommodative monetary policy helped to spur GDP (gross domestic product) growth of 4.2% (annualized) in the first quarter of 2004, following a 3.1% rise in

2003.

This generally favorable environment helped many municipal bonds perform well during the 12 months ended March 31, 2004. Nationally, municipal supply reached $382.7 billion in 2003, breaking the record set in 2002, although issuance slowed somewhat during the second half of 2003. Tighter supply continued into the first two months of 2004 before issuance picked up significantly in March.

HOW WERE ECONOMIC AND MARKET CONDITIONS IN CALIFORNIA AND NEW YORK?

In California, the political uncertainty surrounding the recall initiative served to further complicate the state's financial difficulties. The California economy remained hindered by the slow recovery of the technology sector, and the state continued to lose jobs in government, manufacturing, and business services. This was offset to some degree by California's strong housing market, which fueled growth in construction, financial services, and consumer spending, while increased defense spending had positive implications for the state's aerospace industry. In addition, California's $100 billion export industry was aided by the decline in the U.S. dollar over this period.

Moody's and Fitch downgraded California's general obligation debt to Baa1/BBB from A3/A in December 2003. Standard & Poor's, which had downgraded the state in July 2003, kept its rating at BBB, and all three agencies maintained negative outlooks. However, in March 2004, California voters approved the issuance of $15 billion in economic recovery bonds as well as a resolution calling for future limits on spending and borrowing. Moody's and S&P subsequently revised their outlooks for California to stable and positive, respectively.

New York continued to recover from financial problems triggered by the national economic downturn and deepened by the terrorist attacks of 2001. Although increased Wall Street activity and a rebounding tourism industry had positive implications for the state's economy and future tax revenues, New York continued to slightly lag the national pace of recovery during this reporting period.

New York was the largest issuer in the nation during the first three months of 2004, with $11 billion in new paper. In February 2004, Standard & Poor's (S&P) reconfirmed its rating of New York's general obligation debt at AA with a negative outlook, while Moody's and Fitch maintained their ratings of A2 with a stable outlook and AA-, respectively. As of March 31, 2004, New York City was rated A2/A/A+, by Moody's, S&P and Fitch, respectively, with all three rating agencies returning their outlooks for the city to stable from negative over the past year.

California and New York continued to rank as the nation's largest issuers of municipal debt in 2003, with $58 billion (an increase of 18% over 2002) and $42 billion (a decline of 14%) in new bonds, respectively. For the first three months of 2004, however, California supply fell 37% from January-March 2003 levels, with total issuance of $10 billion. In New York, supply was more plentiful during the first three months of 2004, with $11 billion in new paper, an increase of 20% over January-March 2003.

IN THIS ENVIRONMENT, WHAT KEY STRATEGIES WERE USED TO MANAGE THE PORTFOLIOS DURING THE 12 MONTHS ENDED MARCH 31, 2004?

Over this reporting period, we continued to work on transitioning the Select Portfolios from their previous positioning with fixed termination dates, largely static portfolios, intermediate durations1 and, in the case of NXC and NXN, 100%

insured portfolios. As part of this transition, one of our priorities during this period was duration management, with the goal of enhancing the Portfolios' performance potential and positioning them to produce potentially more consistent returns over time. To implement this strategy, we took advantage of attractive opportunities to sell bonds with shorter durations--pre-refunded bonds, bonds with short call dates, and bonds that mature in the next year or two--and reinvested the proceeds, as well as proceeds from called bonds, in bonds with longer durations to extend the Portfolios' durations. In keeping with the steepness of the municipal bond yield curve over this period, the majority of our purchase activity focused on securities in the long-intermediate part of the yield curve. In the national Portfolios, this meant bonds that mature in 20 to 25 years, while NXC and NXN focused on maturities of 15 to 20 years. In many cases, bonds in this area of the curve offered yields similar to those of longer-term bonds with less inherent interest rate risk.

Over the course of this annual period, we were able to extend the durations of NXP, NXQ, and NXC, while the duration of NXN remained essen tially unchanged for the period ended March 31, 2004. NXR's duration shortened slightly.

Although the heavy volume of municipal issuance during 2003 provided opportunities to make trades that would benefit the Portfolios, we saw supply soften in California and New York as well as at the national level during the last half of 2003. As noted earlier, tighter supply also continued into the first quarter of 2004 in the California market. This presented some challenges in finding securities that we believed had the potential to add value and that carried the types of structures and features we prefer.

1 Duration is a measure of a Portfolio's net asset value (NAV) volatility in reaction to interest rate movements.

For NXP, NXQ, and NXR, our emphasis was on maintaining the Portfolios' credit quality by purchasing high-quality bonds as credit spreads remained narrow, improving call exposure by reinvesting proceeds in issues with at least eight years of call protection, and watching both the primary and secondary markets for bonds that can help these Portfolios achieve their long-term objectives.

For NXC, as we continued to work to diversify the credit quality of the Portfolio over this period, we were active buyers of bonds rated BBB, including toll roads, water and sewer, tobacco, and general obligation (GO) bonds. One of our strategies over the longer term has centered on purchasing and selling California GOs to take advantage of general market moves. In February 2004, we bought part of the $2 billion issuance of state GOs at an attractive yield, with the goal of modestly increasing NXC's exposure to this sector of the market. As California continues to work its way out of its current credit problems, we anticipate that the yield spreads on these bonds relative to national AAA credits with similar maturities may narrow, providing us with opportunities to sell some of these GO holdings at attractive prices in the future.

While our objectives and management strategies were similar in NXN, the New York market did not provide as many lower-rated opportunities as California did over the past 12 months. As of March 31, 2004, NXN continued to have the highest percentage of bonds rated AAA/U.S guaranteed among these five Portfolios at 81%, down from 86% in March 2003. Of this 81%, more than two-thirds were insured. As with NXC, we used proceeds from the sale of pre-refunded bonds to purchase lower-rated securities as appropriate opportunities became available in the New York market during this period.

HOW DID THE PORTFOLIOS PERFORM?

Individual results for the Portfolios, as well as for relevant benchmarks, are presented in the accompanying table.

TOTAL RETURNS ON NET ASSET VALUE
For periods ended 3/31/04
(annualized)

NATIONAL PORTFOLIOS	1-YEAR	5-YEAR	10-YEAR
NXP	6.13%	5.24%	6.38%
NXQ	6.31%	4.88%	6.11%
NXR	6.13%	4.86%	6.25%
Lehman Brothers Municipal Bond Index2	5.86%	6.00%	6.81%
Lipper General and Insured Unleveraged Municipal Debt Funds average3	6.11%	4.73%	6.06%
CALIFORNIA PORTFOLIO			
NXC	6.16%	4.80%	6.20%
Lehman Brothers CA Tax-Exempt Bond Index2	5.88%	5.74%	6.87%
Lipper CA Municipal Debt Funds average3	8.31%	6.12%	7.29%
NEW YORK PORTFOLIO			
NXN	5.84%	4.97%	6.03%
Lehman Brothers NY Tax-Exempt Bond Index2	5.73%	6.00%	6.91%
Lipper NY Municipal Debt Funds average3	9.00%	6.25%	6.92%

Data represents past performance which is no guarantee of future results. Current performance may be higher or lower than the performance shown.

For additional information, see the individual Performance Overview for your Portfolio in this report.

2 The Lehman Brothers Municipal Bond Index is an unleveraged, unmanaged national index comprising a broad range of investment-grade municipal bonds. The Lehman Brothers Tax-Exempt Bond Indexes for California and New York are unleveraged, unmanaged indexes consisting of a broad range of

municipal bonds issued in California and New York, respectively. Results for the Lehman indexes do not reflect any expenses.

3 The Lipper General and Insured Unleveraged Municipal Debt Funds category average is calculated using the returns of all closed-end exchange-traded funds in this category for each period as follows: 1 year, 9 funds; 5 years, 9; and 10 years, 9. The Lipper California Municipal Debt Funds category average is based on the returns of all closed-end exchange-traded funds in this category as follows: 1 year, 30 funds; 5 years, 18; and 10 years, 17. The Lipper New York Municipal Debt Funds category average is based on the returns of all closed-end exchange-traded funds in this category as follows: 1 year, 22 funds; 5 years, 11; and 10 years, 10. Portfolio and Lipper returns assume reinvestment of dividends.

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For the 12 months ended March 31, 2004, the total returns of all five of the Select Portfolios outperformed their respective Lehman Brothers benchmarks. In addition to the duration management strategies discussed in the previous section, sector weightings and individual security selection were among the primary factors that influenced the Portfolios' performances over the 12 month period. For example, during this period, the healthcare sector, as measured by the Lehman Municipal Bond Index, ranked second in terms of performance, outperforming the market as a whole by approximately 120 basis points. Each of the Portfolios had a substantial allocation of healthcare bonds, ranging from 10% in NXN to 15% in NXC, 16% in NXQ, 17% in NXP, and 18% in NXR as of March 31, 2004, which benefited their performances.

In addition, the past 12 month period saw increased market demand for high-yield paper, which caused credit spreads to narrow. In this environment, the Portfolios benefited from their holdings of lower-rated credits, as bonds rated BBB outperformed the market as a whole over this period. As of March 31, 2004, allocations of BBB bonds ranged from 4% in NXN, 7% in NXP, and 9% in NXR to 11% in NXQ and 14% in NXC. Among the lower-rated holdings making a positive contribution to the Portfolios' total annual returns were tobacco bonds, most of which were rated BBB over the majority of this reporting period. These bonds appreciated strongly during the last half of this period as the result of some favorable legal developments. Over this period, we maintained our exposure to tobacco-backed bonds at approximately 2% of NXP, 2% of NXN, and 5% of NXQ and NXR.

In April 2004, following the end of this reporting period, Moody's announced a ratings downgrade on all tobacco securities that were not enhanced or additionally secured, based on an adverse ruling in a tobacco-related lawsuit in New York. As of April 21, 2004, the majority of the Portfolios' tobacco bond holdings were downgraded to Baa1, Baa2, or Baa3. It is important to note, however, that the other major credit agencies--S&P and Fitch--did not change their ratings based on the litigation cited by Moody's. We continue to closely monitor all of these tobacco holdings.

HOW ABOUT THE PORTFOLIOS' DIVIDENDS AND SHARE PRICES?

With call exposure affecting up to 28% of their portfolios during 2003, the Select Portfolios continued to face the need to reinvest proceeds from called bonds over the 12 months ended March 31, 2004. This meant that older bonds offering higher coupons had to be replaced with the bonds available in a market where interest rates remained at historically low levels. While we were able to maintain the dividend of NXR, the number of calls necessitated a single dividend cut in each of the four remaining Portfolios over the 12 month period.

All of these Portfolios seek to pay stable dividends at rates that reflect each Portfolio's past results and projected future performance. During certain periods, each Portfolio may pay dividends at a rate

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that may be more or less than the amount of net investment income actually earned by the Portfolio during the period. If a Portfolio has cumulatively earned more than it has paid in dividends, it holds the excess in reserve as undistributed net investment income (UNII) as part of the Portfolio's net asset value (NAV). Conversely, if a Portfolio has cumulatively paid dividends in excess of its earnings, the excess constitutes negative UNII that is likewise reflected in the Portfolio's NAV. Each Portfolio will, over time, pay all of its net investment income as dividends to shareholders. As of March 31, 2004, NXN had positive UNII, while NXQ, NXP, NXR, and NXC had negative UNII.

At the close of this reporting period on March 31, 2004, all five Portfolios were trading at discounts to their common share NAVs (see charts on individual Performance Overview pages).

HOW WERE THE PORTFOLIOS POSITIONED IN TERMS OF CREDIT QUALITY AND BOND CALLS AS OF MARCH 31, 2004?

Given the current geopolitical and economic climate, we continued to believe that maintaining strong credit quality was a vital requirement. As of the end of March 2004, all five of the Select Portfolios continued to offer excellent credit quality, with allocations of bonds rated AAA/U.S. guaranteed and AA ranging from 69% in NXC, 71% in NXR, 76% in NXP, and 79% in NXQ to 96% in NXN. At the same time, NXC also had an increase in its holdings rated BBB or lower, due in part to the downgrade of California general obligation bonds by Moody's and Fitch in December 2003. We also purchased additional BBB bonds for the portfolio.

As of March 31, 2004, potential call exposure for these Portfolios during 2004-2005 ranged from 13% in NXN, 14% in NXP and NXC to 19% in NXQ and NXR. The actual number of bond calls in all of the Portfolios depends largely on market interest rates.

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Nuveen Select Tax-Free Income Portfolio

Performance
OVERVIEW As of March 31, 2004

NXP

Pie Chart:
CREDIT QUALITY

AAA/U.S. Guaranteed	58%
AA	18%
A	16%
BBB	7%

BB or lower	1%

FUND SNAPSHOT

Share Price	$14.30
Common Share Net Asset Value	$14.85
Premium/(Discount) to NAV	-3.70%
Market Yield	5.12%
Taxable-Equivalent Yield1	7.11%
Net Assets ($000)	$243,165
Average Effective Maturity (Years)	14.66
Duration	5.68

AVERAGE ANNUAL TOTAL RETURN (Inception 3/19/92)

	ON SHARE PRICE	ON NAV
1-Year	7.34%	6.13%
5-Year	3.63%	5.24%
10-Year	6.34%	6.38%

TOP FIVE SECTORS (as a % of total investments)

Healthcare	17%
Tax Obligation/Limited	16%
U.S. Guaranteed	15%
Transportation	14%
Utilities	10%

Bar Chart:
2003-2004 MONTHLY TAX-FREE DIVIDENDS PER SHARE2

Apr	0.062
May	0.062
Jun	0.062
Jul	0.062
Aug	0.062
Sep	0.061
Oct	0.061
Nov	0.061
Dec	0.061
Jan	0.061
Feb	0.061
Mar	0.061

Line Chart:
SHARE PRICE PERFORMANCE
Weekly Closing Price
Past performance is not predictive of future results.

4/1/03	13.86
	13.9
	13.95
	13.9
	14.14
	14.07
	14.13
	14.6
	14.42
	14.49
	14.5
	14.51
	14.28
	13.76
	13.41
	13.84
	13.6
	13.5
	13.51
	13.85
	13.9
	13.82
	13.98
	13.88
	13.7
	13.75
	13.7
	13.61
	13.72
	13.66
	13.77
	13.5
	13.49
	13.65
	13.78
	13.92
	13.94
	13.9
	14.1
	14.43
	14.2
	14.07
	14.08
	14.36
	14.23
3/31/04	14.29

1 Taxable-equivalent yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a federal income tax rate of 28%. For investments that generate qualified dividend income, the taxable-equivalent yield is lower.

2 The Fund also paid shareholders capital gains and net ordinary income

distributions in December 2003 of $0.1059 per share.

Nuveen Select Tax-Free Income Portfolio 2

Performance
OVERVIEW As of March 31, 2004

NXQ

Pie Chart:
CREDIT QUALITY

AAA/U.S. Guaranteed	54%
AA	25%
A	9%
BBB	11%
BB or lower	1%

FUND SNAPSHOT

Share Price	$13.80
Common Share Net Asset Value	$14.56
Premium/(Discount) to NAV	-5.22%
Market Yield	5.09%
Taxable-Equivalent Yield1	7.07%
Net Assets ($000)	$256,373
Average Effective Maturity (Years)	17.16
Duration	5.13

AVERAGE ANNUAL TOTAL RETURN (Inception 5/21/92)

	ON SHARE PRICE	ON NAV
1-Year	8.35%	6.31%
5-Year	3.49%	4.88%
10-Year	6.36%	6.11%

TOP FIVE SECTORS (as a % of total investments)

Transportation	16%
Healthcare	16%

Utilities	15%
Tax Obligation/Limited	13%
U.S. Guaranteed	10%

Bar Chart:
2003-2004 MONTHLY TAX-FREE DIVIDENDS PER SHARE2

Apr	0.0605
May	0.0605
Jun	0.0605
Jul	0.0605
Aug	0.0605
Sep	0.0585
Oct	0.0585
Nov	0.0585
Dec	0.0585
Jan	0.0585
Feb	0.0585
Mar	0.0585

Line Chart:
SHARE PRICE PERFORMANCE
Weekly Closing Price
Past performance is not predictive of future results.

4/1/03	13.36
	13.36
	13.44
	13.38
	13.53
	13.68
	13.8
	13.87
	14.03
	14.03
	14.05
	14.01
	13.89
	13.75
	13.18
	13.31
	13.04
	13.02
	13.06
	13.2
	13.15
	13.23
	13.2
	13.15
	13.15
	13.14
	13.13
	13.18
	13.24
	13.18
	13.25
	13.2
	13.21

	13.27
	13.45
	13.45
	13.53
	13.5
	13.55
	13.73
	13.67
	13.65
	13.76
	13.79
	13.79
3/31/04	13.82

1 Taxable-equivalent yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a federal income tax rate of 28%. For investments that generate qualified dividend income, the taxable-equivalent yield is lower.

2 The Fund also paid shareholders capital gains and net ordinary income distributions in December 2003 of $0.0646 per share.

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Nuveen Select Tax-Free Income Portfolio 3

Performance
OVERVIEW As of March 31, 2004

NXR

Pie Chart:
CREDIT QUALITY

AAA/U.S. Guaranteed	44%
AA	27%
A	20%
BBB	9%

FUND SNAPSHOT

Share Price	$13.56
Common Share Net Asset Value	$14.37
Premium/(Discount) to NAV	-5.64%
Market Yield	5.09%
Taxable-Equivalent Yield1	7.07%
Net Assets ($000)	$186,358
Average Effective Maturity (Years)	16.32

Duration	5.19

AVERAGE ANNUAL TOTAL RETURN (Inception 7/24/92)

	ON SHARE PRICE	ON NAV
1-Year	9.96%	6.13%
5-Year	3.68%	4.86%
10-Year	6.18%	6.25%

TOP FIVE SECTORS (as a % of total investments)

Utilities	22%
Healthcare	18%
Tax Obligation/Limited	12%
Tax Obligation/General	8%
U.S. Guaranteed	8%

Bar Chart:
2003-2004 MONTHLY TAX-FREE DIVIDENDS PER SHARE2

Apr	0.0575
May	0.0575
Jun	0.0575
Jul	0.0575
Aug	0.0575
Sep	0.0575
Oct	0.0575
Nov	0.0575
Dec	0.0575
Jan	0.0575
Feb	0.0575
Mar	0.0575

Line Chart:
SHARE PRICE PERFORMANCE
Weekly Closing Price
Past performance is not predictive of future results.

4/1/03	12.98
	12.97
	13.05
	13.14
	13.21
	13.31
	13.45
	13.57
	13.77
	13.76
	13.66
	13.64
	13.56

	13.05
	13.05
	13.02
	12.77
	12.77
	12.85
	12.87
	12.92
	12.94
	13
	12.87
	12.8
	13
	12.97
	12.92
	12.89
	13
	13.02
	13.06
	12.92
	13.11
	13.29
	13.33
	13.4
	13.26
	13.55
	13.59
	13.45
	13.51
	13.67
	13.68
	13.61
3/31/04	13.55

1 Taxable-equivalent yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a federal income tax rate of 28%. For investments that generate qualified dividend income, the taxable-equivalent yield is lower.

2 The Fund also paid shareholders capital gains and net ordinary income distributions in December 2003 of $0.0719 per share.

Nuveen California Select Tax-Free Income Portfolio

Performance
OVERVIEW As of March 31, 2004

NXC

Pie Chart:
CREDIT QUALITY
AAA/U.S. Guaranteed 66%

AA	3%
A	17%
BBB	14%

FUND SNAPSHOT

Share Price	$14.06
Common Share Net Asset Value	$14.68
Premium/(Discount) to NAV	-4.22%
Market Yield	4.78%
Taxable-Equivalent Yield1	6.64%
Net Assets ($000)	$91,864
Average Effective Maturity (Years)	17.44
Duration	6.69

AVERAGE ANNUAL TOTAL RETURN (Inception 6/19/92)

	ON SHARE PRICE	ON NAV
1-Year	9.14%	6.16%
5-Year	3.42%	4.80%
10-Year	5.83%	6.20%

TOP FIVE SECTORS (as a % of total investments)

Tax Obligation/General	22%
Transportation	15%
Healthcare	15%
Education and Civic Organizations	14%
Water and Sewer	11%

Bar Chart:
2003-2004 MONTHLY TAX-FREE DIVIDENDS PER SHARE2

Apr	0.057
May	0.057
Jun	0.057
Jul	0.057
Aug	0.057
Sep	0.056
Oct	0.056
Nov	0.056
Dec	0.056
Jan	0.056
Feb	0.056
Mar	0.056

Line Chart:
SHARE PRICE PERFORMANCE
Weekly Closing Price
Past performance is not predictive of future results.

4/1/03	13.86
	13.9
	13.95
	13.9
	14.14
	14.07
	14.13
	14.6
	14.42
	14.49
	14.5
	14.51
	14.28
	13.76
	13.41
	13.84
	13.6
	13.5
	13.51
	13.85
	13.9
	13.82
	13.98
	13.88
	13.7
	13.75
	13.7
	13.61
	13.72
	13.66
	13.77
	13.5
	13.49
	13.65
	13.78
	13.92
	13.94
	13.9
	14.1
	14.43
	14.2
	14.07
	14.08
	14.36
	14.23
3/31/04	14.29

1 Taxable-equivalent yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 34.5%. For investments that generate qualified dividend income, the taxable-equivalent yield is lower.

2 The Fund also paid shareholders capital gains and net ordinary income distributions in December 2003 of $0.0540 per share.

Nuveen New York Select Tax-Free Income Portfolio

Performance
OVERVIEW As of March 31, 2004

NXN

Pie Chart:
CREDIT QUALITY

AAA/U.S. Guaranteed	81%
AA	15%
BBB	4%

FUND SNAPSHOT

Share Price	$14.40
Common Share Net Asset Value	$14.57
Premium/(Discount) to NAV	-1.17%
Market Yield	4.67%
Taxable-Equivalent Yield1	6.49%
Net Assets ($000)	$56,958
Average Effective Maturity (Years)	17.61
Duration	5.76

AVERAGE ANNUAL TOTAL RETURN (Inception 6/19/92)

	ON SHARE PRICE	ON NAV
1-Year	11.81%	5.84%
5-Year	4.72%	4.97%
10-Year	6.44%	6.03%

TOP FIVE SECTORS (as a % of total investments)

Tax Obligation/Limited	13%
Education and Civic Organizations	13%
Water and Sewer	12%
Healthcare	10%

Long-Term Care	9%

Bar Chart:
2003-2004 MONTHLY TAX-FREE DIVIDENDS PER SHARE2

Apr	0.057
May	0.057
Jun	0.057
Jul	0.057
Aug	0.057
Sep	0.057
Oct	0.057
Nov	0.057
Dec	0.057
Jan	0.057
Feb	0.057
Mar	0.056

Line Chart:
SHARE PRICE PERFORMANCE
Weekly Closing Price
Past performance is not predictive of future results.

4/1/03	13.4
	13.41
	13.47
	13.5
	13.43
	13.9
	14.06
	14.54
	14.6
	14.5
	14.49
	14.29
	14.4
	13.99
	13.64
	13.54
	13.15
	13.61
	13.59
	13.59
	13.48
	13.6
	13.52
	13.5
	13.45
	13.52
	13.56
	13.5
	13.48
	13.56
	13.56
	13.53
	13.62
	14.44
	14.33
	14.7
	14.74

	14.37
	14.38
	14.76
	14.8
	14.35
	14.59
	14.58
	14.57
3/31/04	14.44

1 Taxable-equivalent yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 33.5%. For investments that generate qualified dividend income, the taxable-equivalent yield is lower.

2 The Fund also paid shareholders capital gains distributions in December 2003 of $0.0726 per share.

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Report of INDEPENDENT AUDITORS

THE BOARD OF TRUSTEES AND SHAREHOLDERS
NUVEEN SELECT TAX-FREE INCOME PORTFOLIO
NUVEEN SELECT TAX-FREE INCOME PORTFOLIO 2
NUVEEN SELECT TAX-FREE INCOME PORTFOLIO 3
NUVEEN CALIFORNIA SELECT TAX-FREE INCOME PORTFOLIO
NUVEEN NEW YORK SELECT TAX-FREE INCOME PORTFOLIO

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of Nuveen Select Tax-Free Income Portfolio, Nuveen Select Tax-Free Income Portfolio 2, Nuveen Select Tax-Free Income Portfolio 3, Nuveen California Select Tax-Free Income Portfolio, and Nuveen New York Select Tax-Free Income Portfolio as of March 31, 2004, and the related statements of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Trusts' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of investments owned as of March 31, 2004, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. 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 financial statements and financial highlights referred to above present fairly, in all material respects, the financial positions of

Nuveen Select Tax-Free Income Portfolio, Nuveen Select Tax-Free Income Portfolio 2, Nuveen Select Tax-Free Income Portfolio 3, Nuveen California Select Tax-Free Income Portfolio, and Nuveen New York Select Tax-Free Income Portfolio at March 31, 2004, and the results of their operations for the year then ended, the changes in their net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Chicago, Illinois
May 14, 2004

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Nuveen Select Tax-Free Income Portfolio (NXP)
Portfolio of
INVESTMENTS March 31, 2004

PRINCIPAL AMOUNT (000)	DESCRIPTION	OPTIONAL C PROVISIO
	ALASKA - 1.1%	
$ 2,475	Alaska Municipal Bond Bank Authority, General Obligation Bonds, Series 2003E, 5.250%, 12/01/23 - MBIA Insured	12/13 at 100
	CALIFORNIA - 5.3%	
3,325	California Department of Water Resources, Power Supply Revenue Bonds, Series 2002A, 6.000%, 5/01/14	5/12 at 101
3,000	California State Public Works Board, Lease Revenue Bonds, Department of Corrections, Soledad II State Prison, Series 1994A, 6.875%, 11/01/14 (Pre-refunded to 11/01/04)	11/04 at 102
1,450	California Statewide Community Development Authority, Hospital Revenue Certificates of Participation, Cedars-Sinai Medical Center, Series 1992, 6.500%, 8/01/15	8/04 at 100
200	Contra Costa County, California, Refunding Certificates of Participation, Merrithew Memorial Hospital Replacement Project, Series 1997, 5.375%, 11/01/17 - MBIA Insured	11/07 at 102
3,000	Golden State Tobacco Securitization Corporation, California, Tobacco Settlement Asset-Backed Bonds, Series 2003A-1, 6.750%, 6/01/39	6/13 at 100
1,130	Los Angeles Department of Water and Power, California, Waterworks Revenue Refunding Bonds, Series 2001A, 5.125%, 7/01/41 - FGIC Insured	7/11 at 100
	COLORADO - 13.1%	

3,000	Colorado Health Facilities Authority, Revenue Bonds, Catholic Health Initiatives, Series 2002A, 5.500%, 3/01/22	9/12 at 100
1,000	Colorado Water Resources and Power Development Authority, Small Water Resources Revenue Bonds, Series 2000A, 5.800%, 11/01/20 - FGIC Insured	11/10 at 100
5,000	Denver City and County, Colorado, Airport System Revenue Refunding Bonds, Series 2001B, 5.625%, 11/15/17 (Alternative Minimum Tax) - FGIC Insured	11/11 at 100
10,750	Denver City and County, Colorado, Airport System Revenue Bonds, Series 1991D, 7.750%, 11/15/13 (Alternative Minimum Tax)	No Opt. C
	Denver Convention Center Hotel Authority, Colorado, Convention Center Hotel Senior Revenue Bonds, Series 2003A:	
1,000	5.000%, 12/01/22 - XLCA Insured	12/13 at 100
3,000	5.000%, 12/01/23 - XLCA Insured	12/13 at 100
5,000	E-470 Public Highway Authority, Colorado, Senior Revenue Bonds, Series 2000A, 0.000%, 9/01/28 - MBIA Insured	9/10 at 31
3,160	Northwest Parkway Public Highway Authority, Colorado, Revenue Bonds, Senior Series 2001A, 5.500%, 6/15/20 - AMBAC Insured	6/11 at 102
	DISTRICT OF COLUMBIA - 0.5%	
1,000	District of Columbia, Hospital Revenue Refunding Bonds, Medlantic Healthcare Group Issue, Series 1996A, 5.750%, 8/15/16 - MBIA Insured	8/06 at 102
	FLORIDA - 7.0%	
250	Escambia County, Florida, Pollution Control Revenue Bonds, Champion International Corporation Project, Series 1993, 5.875%, 6/01/22 (Alternative Minimum Tax)	6/04 at 102
10,000	JEA, St. John's River Power Park System, Florida, Revenue Refunding Bonds, Issue 2, Series 2002-17, 5.000%, 10/01/17	10/11 at 100
6,100	JEA, St. John's River Power Park System, Florida, Revenue Refunding Bonds, Issue 2, Series Nine, 5.250%, 10/01/21	No Opt. C

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Nuveen Select Tax-Free Income Portfolio (NXP) (continued)
Portfolio of INVESTMENTS March 31, 2004

PRINCIPAL OPTIONAL C

AMOUNT (000)	DESCRIPTION	PROVISIO
	HAWAII - 0.6%	
$ 1,330	Hawaii, Certificates of Participation, Kapolei State Office Building, Series 1998A, 5.000%, 5/01/17 - AMBAC Insured	11/08 at 101
	ILLINOIS - 13.2%	
	Chicago Heights, Illinois, General Obligation Corporate Purpose Bonds, Series 1993:	
3,820	5.650%, 12/01/15 - FGIC Insured	12/08 at 100
2,600	5.650%, 12/01/17 - FGIC Insured	12/08 at 100
2,500	Chicago, Illinois, Special Facility Revenue Refunding Bonds, O'Hare International Airport, United Air Lines, Inc. Project, Series 2001C, 6.300%, 5/01/16#	No Opt. C
1,000	Illinois Educational Facilities Authority, Revenue Bonds, Midwestern University, Series 1998B, 5.500%, 5/15/18 - ACA Insured	5/08 at 101
1,960	Illinois Health Facilities Authority, Revenue Refunding Bonds, Evangelical Hospitals Corporation, Series 1992B, 6.500%, 4/15/09	No Opt. C
1,320	Illinois Health Facilities Authority, Revenue Bonds, Decatur Memorial Hospital, Series 2001, 5.600%, 10/01/16	10/11 at 100
2,700	Illinois Health Facilities Authority, Revenue Bonds, Lake Forest Hospital, Series 2002A, 6.000%, 7/01/17	7/12 at 100
2,225	Illinois Health Facilities Authority, Revenue Refunding Bonds, Elmhurst Memorial Healthcare, Series 2002, 6.250%, 1/01/17	1/13 at 100
800	Illinois Housing Development Authority, Homeowner Mortgage Revenue Bonds, Series 2000D-3, 5.700%, 8/01/17	2/10 at 100
1,500	Illinois Housing Development Authority, Homeowner Mortgage Revenue Bonds, Series 1999G-1, 5.700%, 8/01/17	7/10 at 100
600	Illinois Educational Facilities Authority, Student Housing Revenue Bonds, Educational Advancement Foundation Fund, University Center Project, Series 2002, 6.000%, 5/01/22	5/12 at 101
2,000	Illinois, General Obligation Bonds, Series 1994, 5.875%, 8/01/14 (Pre-refunded to 8/01/04)	8/04 at 102
3,125	Metropolitan Pier and Exposition Authority, Illinois, McCormick Place Expansion Project Bonds, Series 1992A, 0.000%, 6/15/17 - FGIC Insured	No Opt. C
5,000	Metropolitan Pier and Exposition Authority, Illinois, Refunding Bonds, McCormick Place Expansion Project,	6/12 at 101

	Series 2002B, 5.000%, 6/15/21 - MBIA Insured	
	Yorkville United City, Illinois, General Obligation Debt Certificates, Series 2003:	
1,000	5.000%, 12/15/19 - RAAI Insured	12/11 at 100
1,000	5.000%, 12/15/20 - RAAI Insured	12/11 at 100
	INDIANA - 7.6%	
5,000	Duneland School Building Corporation, Indiana, First Mortgage Refunding Bonds, Series 1999, 5.125%, 2/01/18 - MBIA Insured	2/09 at 101
2,000	Indiana Health Facility Financing Authority, Hospital Revenue Refunding Bonds, Columbus Regional Hospital, Series 1993, 7.000%, 8/15/15 - FSA Insured	No Opt. C
9,855	Indianapolis Local Public Improvement Bond Bank, Indiana, Waterworks Project, Series 2002A, 5.125%, 7/01/21 - MBIA Insured	7/12 at 100
	KANSAS - 1.7%	
4,030	Wichita, Kansas, Revenue Bonds, CSJ Health System of Wichita, Inc., Series 1985-XXV, 7.200%, 10/01/15	5/04 at 100
	KENTUCKY - 1.9%	
1,100	Jefferson County, Kentucky, Health System Revenue Bonds, Alliant Health System, Inc., Series 1998, 5.125%, 10/01/18 - MBIA Insured	10/08 at 101
3,230	Lexington-Fayette Urban County Government, Kentucky, Revenue Bonds, University of Kentucky Alumni Association Project, Series 1994, 6.750%, 11/01/15 (Pre-refunded to 11/01/04) - MBIA Insured	11/04 at 102

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PRINCIPAL AMOUNT (000)	DESCRIPTION	OPTIONAL C PROVISIO
	MASSACHUSETTS - 0.2%	
$ 500	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Partners HealthCare System, Inc., Series 2001C, 6.000%, 7/01/17	7/11 at 101
	MICHIGAN - 1.8%	

665	City of Detroit, Michigan, Water Supply System Revenue Bonds, Second Lien, Series 1995A, 5.500%, 7/01/25 - MBIA Insured	7/05 at 102
2,900	Michigan State Hospital Finance Authority, Revenue Refunding Bonds, Trinity Health Credit Group, Series 2002C, 5.375%, 12/01/30	12/12 at 100
1,000	Michigan State Hospital Finance Authority, Hospital Revenue Bonds, Detroit Medical Center Obligated Group, Series 1998A, 5.125%, 8/15/18	8/08 at 101
	MINNESOTA - 0.3%	
670	Minnesota Housing Finance Agency, Single Family Mortgage Revenue Bonds, Series 1995A, 5.200%, 1/01/17	7/08 at 101
	MISSISSIPPI - 1.6%	
3,600	Calhoun County, Mississippi, Solid Waste Disposal Revenue Bonds, Weyerhauser Company Project, Series 1992, 6.875%, 4/01/16 (Alternative Minimum Tax)	4/07 at 103
	NEVADA - 6.6%	
2,500	Clark County, Nevada, Motor Vehicle Fuel Tax Highway Improvement Revenue Bonds, Series 2003, 5.000%, 7/01/23 - AMBAC Insured	7/13 at 100
	State Department of Business and Industry, Director of Nevada, Revenue Bonds, Las Vegas Monorail Project, First Tier Series 2000:	
2,360	0.000%, 1/01/21 - AMBAC Insured	No Opt. C
3,500	0.000%, 1/01/22 - AMBAC Insured	No Opt. C
6,025	5.375%, 1/01/40 - AMBAC Insured	1/10 at 100
4,070	Reno, Nevada, Capital Improvement Revenue Bonds, Series 2002, 5.500%, 6/01/21 - FGIC Insured	6/12 at 100
	NEW HAMPSHIRE - 0.4%	
985	New Hampshire Housing Finance Agency, Single Family Mortgage Acquisition Bonds, Series 2001A, 5.600%, 7/01/21 (Alternative Minimum Tax)	5/11 at 100
	NEW JERSEY - 1.1%	
2,500	New Jersey Health Care Facilities Financing Authority, Revenue Bonds, Somerset Medical Center, Series 2003, 5.500%, 7/01/23	7/13 at 100

	NEW YORK - 3.5%	
450	Long Island Power Authority, New York, Electric System General Revenue Bonds, Series 1998A, 5.125%, 12/01/22 - FSA Insured	6/08 at 101
5,170	New York City, New York, General Obligation Bonds, Fiscal Series 1995A, 6.250%, 8/01/10 (Pre-refunded to 8/01/04)	8/04 at 101
1,000	Dormitory Authority of the State of New York, Revenue Bonds, Columbia University, Series 1994A, 4.750%, 7/01/14	7/04 at 102
1,600	Dormitory Authority of the State of New York, Revenue Bonds, Mount Sinai NYU Health Obligated Group, Series 2000A, 6.500%, 7/01/17	7/10 at 101
	NORTH CAROLINA - 0.8%	
1,330	North Carolina Eastern Municipal Power Agency, Power System Revenue Refunding Bonds, Series 1993B, 5.500%, 1/01/21	No Opt. C
500	Raleigh Durham Airport Authority, North Carolina, Airport Revenue Bonds, Series 2001A, 5.250%, 11/01/17 - FGIC Insured	5/11 at 101
	OHIO - 0.7%	
1,575	Ohio Housing Finance Agency, GNMA Mortgage-Backed Securities Program, Residential Mortgage Remarketed Revenue Bonds, Series 1997A-1, 6.050%, 9/01/17 (Alternative Minimum Tax)	9/07 at 102

Nuveen Select Tax-Free Income Portfolio (NXP) (continued)
Portfolio of INVESTMENTS March 31, 2004

PRINCIPAL AMOUNT (000)	DESCRIPTION	OPTIONAL C PROVISIO
	PENNSYLVANIA - 0.2%	
$ 500	Pennsylvania Higher Educational Facilities Authority, Revenue Bonds, Widner University, Series 2003, 5.250%, 7/15/24	7/13 at 100
	SOUTH CAROLINA - 7.0%	

10,000	Greenville County School District, South Carolina, Installment Purchase Revenue Bonds, Series 2002, 5.875%, 12/01/19	12/12 at 101
1,500	Lexington County Health Service District, South Carolina, Hospital Revenue Refunding and Improvement Bonds, Series 2003, 6.000%, 11/01/18	11/13 at 100
2,500	South Carolina JOBS Economic Development Authority, Revenue Bonds, Bon Secours Health System, Inc., Series 2002A, 5.625%, 11/15/30	11/12 at 100
1,500	Tobacco Settlement Revenue Management Authority, South Carolina, Tobacco Settlement Asset-Backed Bonds, Series 2001B, 6.000%, 5/15/22	5/11 at 101
	TEXAS - 9.6%	
5,000	Brazos River Harbor Navigation District, Brazoria County, Texas, Environmental Facilities Revenue Bonds, Dow Chemical Company Project, Series 2002A-6, 6.250%, 5/15/33 (Alternative Minimum Tax) (Mandatory put 5/15/17)	5/12 at 101
6,150	Dallas Independent School District, Dallas County, Texas, General Obligation Refunding Bonds, Series 2002, 5.250%, 2/15/20	2/12 at 100
4,370	Harris County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Memorial Hermann Healthcare System, Series 1992, 7.125%, 6/01/15 (Pre-refunded to 6/01/04)	6/04 at 100
2,300	Harris County Health Facilities Development Corporation, Texas, Thermal Utility Revenue Bonds, TECO Project, Series 2003, 5.000%, 11/15/30 - MBIA Insured	11/13 at 100
3,500	Irving Independent School District, Dallas County, Texas, General Obligation Refunding Bonds, Series 2002A, 5.000%, 2/15/31	2/12 at 100
	San Antonio, Texas, Water System Revenue Refunding Bonds, Series 1992:	
95	6.000%, 5/15/16 (Pre-refunded to 5/15/07) - MBIA Insured	5/07 at 100
465	6.000%, 5/15/16 - MBIA Insured	No Opt. C
	WASHINGTON - 9.2%	
5,700	Snohomish County Public Utility District 1, Washington, Generation System Revenue Bonds, Series 1989, 6.750%, 1/01/12	7/04 at 100
2,000	Washington State Tobacco Settlement Authority, Tobacco Settlement Asset-Backed Revenue Bonds, Series 2002, 6.500%, 6/01/26	6/13 at 100
3,000	Washington State Healthcare Facilities Authority,	12/07 at 101

	Revenue Bonds, Catholic Health Initiatives, Series 1997A, 5.125%, 12/01/17 - MBIA Insured	
9,750	Washington State Healthcare Facilities Authority, Revenue Bonds, Sisters of Providence Health System, Series 2001A, 5.125%, 10/01/17 - MBIA Insured	10/11 at 100
	WEST VIRGINIA - 0.9%	
1,885	Marshall County, West Virginia, Special Obligation Refunding Bonds, Series 1992, 6.500%, 5/15/10	No Opt. C
	WISCONSIN - 1.5%	
2,500	Wisconsin, General Obligation Refunding Bonds, Series 2003-3, 5.000%, 11/01/26	11/13 at 100
1,000	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Wheaton Franciscan Services, Inc., Series 2003A, 5.500%, 8/15/17	8/13 at 100
$ 230,150	Total Long-Term Investments (cost $221,802,927) - 97.4%	

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PRINCIPAL AMOUNT (000)	DESCRIPTION
	SHORT-TERM INVESTMENTS - 0.8%
$ 2,000	Nebraska Educational Finance Authority, Variable Rate Demand Revenue Refunding Bonds, Creighton University, Series 2001, 1.120%, 8/01/31+
$ 2,000	Total Short-Term Investments (cost $2,000,000)
	Total Investments (cost $223,802,927) - 98.2%
	Other Assets Less Liabilities - 1.8%
	Net Assets - 100%

* Optional Call Provisions (not covered by the report of independent auditors): Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.

** Ratings (not covered by the report of independent auditors): Using the higher of Standard & Poor's or Moody's rating.

*** Securities are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensures the timely payment of principal and interest. Such securities are normally considered to be equivalent to AAA rated securities.

N/R Investment is not rated.

On December 9, 2002, UALCorporation, the holding company of United Air Lines, Inc. filed for federal bankruptcy protection. The Adviser determined that it was likely United would not remain current on their interest payment obligations with respect to these bonds and thus has stopped accruing interest.

+ Security has a maturity of more than one year, but has variable rate and demand features which qualify it as a short-term security. The rate disclosed is that currently in effect. This rate changes periodically based on market conditions or a specified market index.

See accompanying notes to financial statements.

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Nuveen Select Tax-Free Income Portfolio 2 (NXQ)
Portfolio of
INVESTMENTS March 31, 2004

PRINCIPAL AMOUNT (000)	DESCRIPTION	OPTIONAL C PROVISIO
	ARKANSAS - 1.6%	
$ 1,000	Fort Smith, Arkansas, Water and Sewer Revenue Refunding and Construction Bonds, Series 2002A, 5.000%, 10/01/19 - FSA Insured	10/11 at 100
1,000	Sebastian County Health Facilities Board, Arkansas, Hospital Revenue Improvement Bonds, Sparks Regional Medical Center, Series 2001A, 5.250%, 11/01/21	11/11 at 101
2,000	University of Arkansas, Fayetteville, Various Facilities Revenue Bonds, Series 2002, 5.000%, 12/01/32 - FGIC Insured	12/12 at 100
	CALIFORNIA - 6.2%	
3,325	California Department of Water Resources, Power Supply Revenue Bonds, Series 2002A, 6.000%, 5/01/14	5/12 at 101
2,000	California State Public Works Board, Lease Revenue Refunding Bonds, Various University of California Projects, Series 1993A, 5.500%, 6/01/14	No Opt. C

5,000	California State Public Works Board, Lease Revenue Bonds, Department of Corrections, Soledad II State Prison, Series 1994A, 6.875%, 11/01/14 (Pre-refunded to 11/01/04)	11/04 at 102
500	California State Public Works Board, Lease Revenue Refunding Bonds, Various California Community College Projects, Series 1998A, 5.250%, 12/01/16	12/08 at 101
500	Contra Costa Water District, California, Water Revenue Refunding Bonds, Series 1997H, 5.000%, 10/01/17	10/07 at 100
500	Contra Costa County, California, Refunding Certificates of Participation, Merrithew Memorial Hospital Replacement Project, Series 1997, 5.375%, 11/01/17 - MBIA Insured	11/07 at 102
3,000	Golden State Tobacco Securitization Corporation, California, Tobacco Settlement Asset-Backed Bonds, Series 2003A-1, 6.750%, 6/01/39	6/13 at 100
	COLORADO - 7.8%	
3,000	Colorado Health Facilities Authority, Revenue Bonds, Catholic Health Initiatives, Series 2002A, 5.500%, 3/01/22	9/12 at 100
5,000	Denver City and County, Colorado, Airport System Revenue , Refunding Bonds, Series 2001B, 5.625% 11/15/17 (Alternative Minimum Tax) - FGIC Insured	11/11 at 100
3,185	Denver City and County, Colorado, Airport System Revenue Bonds, Series 1991D, 7.750%, 11/15/13 (Alternative Minimum Tax)	No Opt. C
3,000	Denver Convention Center Hotel Authority, Colorado, Convention Center Hotel Senior Revenue Bonds, Series 2003A, 5.000%, 12/01/23 - XLCA Insured	12/13 at 100
5,000	E-470 Public Highway Authority, Colorado, Senior Revenue Bonds, Series 2000B, 0.000%, 9/01/24 - MBIA Insured	No Opt. C
5,000	E-470 Public Highway Authority, Colorado, Senior Revenue Bonds, Series 2000A, 0.000%, 9/01/28 - MBIA Insured	9/10 at 31
250	Northwest Parkway Public Highway Authority, Colorado, Revenue Bonds, Senior Series 2001A, 5.250%, 6/15/41 - FSA Insured	6/11 at 102
1,100	University of Colorado Hospital Authority, Hospital Revenue Bonds, Series 2001A, 5.600%, 11/15/31	11/11 at 100
	DISTRICT OF COLUMBIA - 0.2%	
500	District of Columbia, Hospital Revenue Refunding Bonds, Medlantic Healthcare Group Issue, Series 1996A, 5.750%, 8/15/16 - MBIA Insured	8/06 at 102

	FLORIDA - 2.4%	
6,060	JEA, St. John's River Power Park System, Florida, Revenue Refunding Bonds, Issue 2, Series Nine, 5.250%, 10/01/21	No Opt. C

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PRINCIPAL AMOUNT (000)	DESCRIPTION	OPTIONAL C PROVISIO
	HAWAII - 0.5%	
$ 1,100	Hawaii, Certificates of Participation, Kapolei State Office Building, Series 1998A, 5.000%, 5/01/17 - AMBAC Insured	11/08 at 101
	ILLINOIS - 16.7%	
8,420	Chicago Metropolitan Housing Development Corporation, Illinois, FHA-Insured Section 8 Housing Development Revenue Refunding Bonds, Series 1992, 6.800%, 7/01/17	7/04 at 100
2,400	Chicago, Illinois, Special Facility Revenue Refunding Bonds, O'Hare International Airport, United Air Lines, Inc. Project, Series 2001C, 6.300%, 5/01/16#	No Opt. C
250	Illinois Development Finance Authority, Economic Development Revenue Bonds, Latin School of Chicago Project, Series 1998, 5.200%, 8/01/11	8/08 at 100
	Illinois Educational Facilities Authority, Revenue Refunding Bonds, Columbia College, Series 1992:	
2,610	6.875%, 12/01/17 (Pre-refunded to 12/01/04)	12/04 at 100
1,140	6.875%, 12/01/17	12/04 at 100
3,000	Illinois Health Facilities Authority, Revenue Bonds, Rush-Presbyterian St. Luke's Medical Center Obligated Group, Series 1993, 5.250%, 11/15/20 - MBIA Insured	5/04 at 102
805	Illinois Health Facilities Authority, Revenue Bonds, Loyola University Health System, Series 2001A, 6.125%, 7/01/31	7/11 at 100
2,255	Illinois Health Facilities Authority, Revenue Bonds, Lake Forest Hospital, Series 2002A, 6.250%, 7/01/22	7/12 at 100
1,900	Illinois Housing Development Authority, Homeowner Mortgage Revenue Bonds, Series 2000D-3, 5.700%, 8/01/17	2/10 at 100
600	Illinois Educational Facilities Authority, Student Housing Revenue Bonds, Educational Advancement Foundation Fund, University Center Project, Series 2002, 6.000%, 5/01/22	5/12 at 101

5,700	Illinois, Sales Tax Revenue Bonds, First Series 2002, 5.000%, 6/15/22	6/13 at 100
45	Metropolitan Pier and Exposition Authority, Illinois, McCormick Place Expansion Project Bonds, Series 1992A, 6.500%, 6/15/22	6/04 at 101
7,000	Metropolitan Pier and Exposition Authority, Illinois, McCormick Place Expansion Project Refunding Bonds, Series 2002B, 5.000%, 6/15/21 - MBIA Insured	6/12 at 101
5,045	Sauk Village, Illinois, General Obligation Alternate Revenue Source Bonds, Tax Increment, Series 2002A, 5.000%, 6/01/22 - RAAI Insured	12/12 at 100
	Sauk Village, Illinois, General Obligation Alternate Revenue Source Bonds, Tax Increment, Series 2002B:	
1,060	0.000%, 12/01/17 - RAAI Insured	No Opt. C
1,135	0.000%, 12/01/18 - RAAI Insured	No Opt. C
1,000	Yorkville United City, Illinois, General Obligation Debt Certificates, Series 2003, 5.000%, 12/15/21 - RAAI Insured	12/11 at 100

	INDIANA - 2.6%	
4,380	Indiana Municipal Power Agency, Power Supply System Revenue Bonds, Series 2002A, 5.125%, 1/01/21 - AMBAC Insured	1/12 at 100
1,840	Indiana Housing Finance Authority, Single Family Mortgage Revenue Bonds, Series 2002C-2, 5.250%, 7/01/23 (Alternative Minimum Tax)	7/11 at 100

	IOWA - 1.5%	
	Iowa Tobacco Settlement Authority, Tobacco Settlement Asset-Backed Revenue Bonds, Series 2001B:	
1,000	5.300%, 6/01/25	6/11 at 101
3,500	5.600%, 6/01/35	6/11 at 101

	LOUISIANA - 1.2%	
3,000	Louisiana Public Facilities Authority, Revenue Bonds, Tulane University, Series 2002A, 5.125%, 7/01/27 - AMBAC Insured	7/12 at 100

Nuveen Select Tax-Free Income Portfolio 2 (NXQ) (continued)
Portfolio of INVESTMENTS March 31, 2004

PRINCIPAL AMOUNT (000)	DESCRIPTION	OPTIONAL C PROVISIO
	MASSACHUSETTS - 2.2%	
$ 3,000	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Berkshire Health System, Series 2001E, 6.250%, 10/01/31	10/11 at 101
2,090	Massachusetts Water Resources Authority, General Revenue Bonds, Series 1993C, 5.250%, 12/01/15 - MBIA Insured	No Opt. C
	MICHIGAN - 2.0%	
2,900	Michigan State Hospital Finance Authority, Revenue Refunding Bonds, Trinity Health Credit Group, Series 2002C, 5.375%, 12/01/30	12/12 at 100
2,000	Plymouth-Canton Community School District, Wayne and Washtenaw Counties, Michigan, Unlimited Tax General Obligation School Building and Site Bonds, Series 1999, 4.750%, 5/01/18	5/09 at 100
	NEVADA - 5.7%	
500	Clark County, Nevada, Limited Tax General Obligation Las Vegas Convention and Visitors Authority Bonds, Series 1996, 5.500%, 7/01/17 - MBIA Insured	7/06 at 101
13,250	State Department of Business and Industry, Director of Nevada, Revenue Bonds, Las Vegas Monorail Project, First Tier, Series 2000, 5.375%, 1/01/40 - AMBAC Insured	1/10 at 100
	NEW JERSEY - 1.0%	
2,500	New Jersey Health Care Facilities Financing Authority, Revenue Bonds, Somerset Medical Center, Series 2003, 5.500%, 7/01/23	7/13 at 100
	NEW YORK - 6.1%	
2,700	Dormitory Authority of the State of New York, Revenue Bonds, Mount Sinai NYU Health Obligated Group, Series 2000A, 6.500%, 7/01/17	7/10 at 101
4,000	New York State Medical Care Facilities Finance Agency, FHA-Insured Mortgage Revenue Bonds, New York and Presbyterian Hospital, Series 1994A, 6.750%, 8/15/14 (Pre-refunded to 2/15/05) - AMBAC Insured	2/05 at 102
3,000	New York Tobacco Settlement Financing Corporation,	6/11 at 100

	Tobacco Settlement Asset-Backed and State Contingency Contract-Backed Bonds, Series 2003B-1C, 5.500%, 6/01/16	
4,425	Triborough Bridge and Tunnel Authority, New York, Convention Center Bonds, Series 1990E, 7.250%, 1/01/10	No Opt. C
	NORTH CAROLINA - 2.8%	
1,500	Charlotte-Mecklenburg Hospital Authority, North Carolina, Healthcare System Revenue Bonds, Carolinas Healthcare System, Series 2001A, 5.000%, 1/15/31	1/11 at 101
5,500	North Carolina Eastern Municipal Power Agency, Power System Revenue Bonds, Series 1993D, 5.600%, 1/01/16	7/04 at 101
	OHIO - 1.2%	
2,800	Cuyahoga County, Ohio, Hospital Revenue Bonds, Meridia Health System, Series 1995, 6.250%, 8/15/14 (Pre-refunded to 8/15/05)	8/05 at 102
	PENNSYLVANIA - 2.2%	
1,000	Dauphin County General Authority, Pennsylvania, Health System Revenue Bonds, Pinnacle Health System Project, Series 1999, 5.125%, 8/15/17 - MBIA Insured	2/09 at 101
1,000	Philadelphia Authority for Industrial Development, Pennsylvania, Airport Revenue Bonds, Philadelphia Airport System Project, Series 2001A, 5.500%, 7/01/17 (Alternative Minimum Tax) - FGIC Insured	7/11 at 101
3,250	Philadelphia School District, Pennsylvania, General Obligation Bonds, Series 2002A, 5.500%, 2/01/31 - FSA Insured	2/12 at 100
	PUERTO RICO - 1.2%	
3,000	Puerto Rico Housing Finance Authority, Capital Fund Program Revenue Bonds, Series 2003, 5.000%, 12/01/20	12/13 at 100
	RHODE ISLAND - 1.8%	
5,000	Rhode Island Tobacco Settlement Financing Corporation, Tobacco Settlement Asset-Backed Bonds, Series 2002A, 6.250%, 6/01/42	6/12 at 100

PRINCIPAL AMOUNT (000)	DESCRIPTION	OPTIONAL C PROVISIO
	SOUTH CAROLINA - 6.4%	
$ 4,000	Greenville County School District, South Carolina, Installment Purchase Revenue Bonds, Series 2002, 5.875%, 12/01/19	12/12 at 101
2,500	Lexington County Health Service District, South Carolina, Hospital Revenue Refunding and Improvement Bonds, Series 2003, 6.000%, 11/01/18	11/13 at 100
8,350	South Carolina Public Service Authority, Revenue Refunding Bonds, Santee Cooper Electric System, Series 1996A, 5.750%, 1/01/22 - MBIA Insured	1/06 at 102
	TEXAS - 15.7%	
3,275	Bexar County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Baptist Memorial Hospital System Project, Series 1994, 6.900%, 2/15/14 (Pre-refunded to 8/15/04) - MBIA Insured	8/04 at 102
4,000	Brazos River Harbor Navigation District, Brazoria County, Texas, Environmental Facilities Revenue Bonds, Dow Chemical Company Project, Series 2002A-6, 6.250%, 5/15/33 (Alternative Minimum Tax) (Mandatory put 5/15/17)	5/12 at 101
4,540	Cleveland Housing Corporation, Texas, FHA-Insured Section 8 Assisted Mortgage Revenue Refunding Bonds, Series 1992C, 7.375%, 7/01/24 - MBIA Insured	7/04 at 100
4,550	Harris County-Houston Sports Authority, Texas, Junior Lien Revenue Bonds, Series 2001H, 0.000%, 11/15/41 - MBIA Insured	11/31 at 53
2,500	Harris County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Texas Children's Hospital, Series 1995, 5.500%, 10/01/16 - MBIA Insured	10/05 at 102
3,000	Harris County Health Facilities Development Corporation, Texas, Thermal Utility Revenue Bonds, TECO Project, Series 2003, 5.000%, 11/15/30 - MBIA Insured	11/13 at 100
2,000	Houston, Texas, Airport System, Subordinate Lien Revenue Bonds, Series 2002A, 5.625%, 7/01/20 (Alternative Minimum Tax) - FSA Insured	7/12 at 100
3,125	Katy Independent School District, Harris, Fort Bend and Waller Counties, Texas, General Obligation Bonds, Series 2002A, 5.000%, 2/15/32	2/12 at 100
4,750	Sam Rayburn Municipal Power Agency, Texas, Power Supply System Revenue Refunding Bonds, Series 2002A, 5.500%, 10/01/17 - RAAI Insured	10/12 at 100

8,900	Texas Turnpike Authority, Dallas North Tollway System Revenue Bonds, President George Bush Turnpike, Series 1995, 5.250%, 1/01/23 - FGIC Insured	1/06 at 102
1,250	Texas Water Development Board, Senior Lien State Revolving Fund Revenue Bonds, Series 1996B, 5.125%, 7/15/18	1/07 at 100
	UTAH - 0.6%	
1,435	Salt Lake City and Sandy Metropolitan Water District, Utah, Water Revenue Bonds, Series 2004, 5.000%, 7/01/21	7/14 at 100
	VERMONT - 2.7%	
3,000	Vermont Housing Finance Agency, Multifamily Housing Bonds, Series 1999C, 5.800%, 8/15/16 - FSA Insured	2/09 at 100
3,600	Vermont Industrial Development Authority, Industrial Development Revenue Refunding Bonds, Stanley Works, Inc. Project, Series 1992, 6.750%, 9/01/10	9/04 at 100
	WASHINGTON - 3.6%	
2,000	Washington State Healthcare Facilities Authority, Revenue Bonds, Catholic Health Initiatives, Series 1997A, 5.125%, 12/01/17 - MBIA Insured	12/07 at 101
6,715	Washington State Healthcare Facilities Authority, Revenue Bonds, Sisters of Providence Health System, Series 2001A, 5.125%, 10/01/17 - MBIA Insured	10/11 at 100

Nuveen Select Tax-Free Income Portfolio 2 (NXQ) (continued)
Portfolio of INVESTMENTS March 31, 2004

PRINCIPAL AMOUNT (000)	DESCRIPTION	OPTIONAL C PROVISIO
	WISCONSIN - 2.1%	
$ 4,000	Wisconsin Housing and Economic Development Authority, Home Ownership Revenue Bonds, Series 2002G, 4.850%, 9/01/17	3/12 at 100
1,000	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Wheaton Franciscan Services, Inc., Series 2003A, 5.500%, 8/15/18	8/13 at 100
$ 252,010	Total Long-Term Investments (cost $240,927,177) - 98.0%	

Other Assets Less Liabilities - 2.0%

Net Assets - 100%

* Optional Call Provisions (not covered by the report of independent auditors): Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.

** Ratings (not covered by the report of independent auditors): Using the higher of Standard & Poor's or Moody's rating.

*** Securities are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensures the timely payment of principal and interest. Such securities are normally considered to be equivalent to AAA rated securities.

N/R Investment is not rated.

On December 9, 2002, UALCorporation, the holding company of United Air Lines, Inc. filed for federal bankruptcy protection. The Adviser determined that it was likely United would not remain current on their interest payment obligations with respect to these bonds and thus has stopped accruing interest.

See accompanying notes to financial statements.

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Nuveen Select Tax-Free Income Portfolio 3 (NXR)
Portfolio of
INVESTMENTS March 31, 2004

PRINCIPAL AMOUNT (000)	DESCRIPTION	OPTIONAL C PROVISIO
	ALABAMA - 0.3%	
$ 500	Marshall County Healthcare Authority, Alabama, Revenue Bonds, Series 2002A, 6.250%, 1/01/22	1/12 at 101
	CALIFORNIA - 6.6%	
2,105	Azusa Unified School District, Los Angeles County, California, General Obligation Bonds, Series 2002, 5.375%, 7/01/21 - FSA Insured	7/12 at 100

3,350	California Department of Water Resources, Power Supply Revenue Bonds, Series 2002A, 6.000%, 5/01/14	5/12 at 101
3,000	California State Public Works Board, Lease Revenue Bonds, Department of Corrections, Soledad II State Prison, Series 1994A, 6.875%, 11/01/14 (Pre-refunded to 11/01/04)	11/04 at 102
3,000	Golden State Tobacco Securitization Corporation, California, Tobacco Settlement Asset-Backed Bonds, Series 2003A-1, 6.750%, 6/01/39	6/13 at 100
	COLORADO - 5.7%	
4,000	Colorado Health Facilities Authority, Revenue Bonds, Catholic Health Initiatives, Series 2002A, 5.500%, 3/01/22	9/12 at 100
2,700	Denver City and County, Colorado, Airport System Revenue Bonds, Series 1991D, 7.750%, 11/15/13 (Alternative Minimum Tax)	No Opt. C
3,000	Denver Convention Center Hotel Authority, Colorado, Convention Center Hotel Senior Revenue Bonds, Series 2003A, 5.000%, 12/01/24 - XLCA Insured	12/13 at 100
	CONNECTICUT - 0.1%	
250	Connecticut Health and Educational Facilities Authority, Revenue Bonds, Bridgeport Hospital Issue, Series 1992A, 6.625%, 7/01/18 - MBIA Insured	7/04 at 100
	DISTRICT OF COLUMBIA - 0.9%	
235	District of Columbia, General Obligation Refunding Bonds, Series 1994A-1, 6.500%, 6/01/10 - MBIA Insured	No Opt. C
1,305	District of Columbia, General Obligation Bonds, Series 1993E, 6.000%, 6/01/13 - MBIA Insured	6/04 at 101
	FLORIDA - 5.0%	
4,000	JEA, Florida, Subordinate Lien Electric System Revenue Bonds, Series 2002D, 4.625%, 10/01/22	10/07 at 100
5,020	JEA, St. John's River Power Park System, Florida, Revenue Refunding Bonds, Series 2002-17, Issue 2, 5.000%, 10/01/18	10/11 at 100
	ILLINOIS - 21.7%	

3,000	Bryant, Illinois, Pollution Control Revenue Refunding Bonds, Central Illinois Light Company Project, Series 1992, 6.500%, 2/01/18	8/04 at 100
2,435	Chicago Metropolitan Housing Development Corporation, Illinois, FHA-Insured Section 8 Housing Development Revenue Refunding Bonds, Series 1992, 6.850%, 7/01/22	7/04 at 100
2,550	Chicago, Illinois, FHA-Insured Mortgage Revenue Bonds, Lakeview Towers Project, Series 1992, 6.600%, 12/01/20	6/04 at 100
700	Chicago, Illinois, Special Facility Revenue Refunding Bonds, O'Hare International Airport, United Air Lines, Inc. Project, Series 2001C, 6.300%, 5/01/16#	No Opt. C
1,930	Illinois Development Finance Authority, Revenue Bonds, Midwestern University, Series 2001B, 5.750%, 5/15/16	5/11 at 101
1,500	Illinois Health Facilities Authority, Revenue Bonds, Evangelical Hospitals Corporation, Series 1992C, 6.250%, 4/15/22	No Opt. C
4,000	Illinois Health Facilities Authority, Revenue Bonds, Franciscan Sisters Healthcare Corporation Project, Series 1992B, 6.625%, 9/01/13 (Pre-refunded to 9/01/06) - MBIA Insured	9/06 at 100

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Nuveen Select Tax-Free Income Portfolio 3 (NXR) (continued)
Portfolio of INVESTMENTS March 31, 2004

PRINCIPAL AMOUNT (000)	DESCRIPTION	OPTIONAL C PROVISIO
	ILLINOIS (continued)	
$ 4,470	Illinois Health Facilities Authority, Remarketed Revenue Bonds, University of Chicago Project, Series 1985A, 5.500%, 8/01/20	8/11 at 103
2,225	Illinois Health Facilities Authority, Revenue Refunding Bonds, Elmhurst Memorial Healthcare, Series 2002, 6.250%, 1/01/17	1/13 at 100
620	Illinois Housing Development Authority, Homeowner Mortgage Revenue Bonds, Series 2000D-3, 5.700%, 8/01/17	2/10 at 100
5,700	Illinois, Sales Tax Revenue Bonds, First Series 2002, 5.000%, 6/15/22	6/13 at 100
2,000	Illinois, Sales Tax Revenue Bonds, Series 1997X, 5.600%, 6/15/17	6/07 at 101
6,000	Metropolitan Pier and Exposition Authority, Illinois, Refunding Bonds, McCormick Place Expansion Project,	6/12 at 101

	Series 2002B, 5.000%, 6/15/21 - MBIA Insured	
1,000	Yorkville United City, Illinois, General Obligation Debt Certificates, Series 2003, 5.000%, 12/15/22 - RAAI Insured	12/11 at 100
	INDIANA - 4.6%	
3,500	Indiana Health Facility Financing Authority, Hospital Revenue Bonds, Methodist Hospital, Inc., Series 2001, 5.375%, 9/15/22	9/11 at 100
2,000	Indianapolis Local Public Improvement Bond Bank, Indiana, Waterworks Project, Series 2002A, 5.250%, 7/01/33 - MBIA Insured	7/12 at 100
2,725	Warrick County, Indiana, Adjustable Rate Environmental Improvement Revenue Bonds, Southern Indiana Gas and Electric Company Project, Series 1993B, 6.000%, 5/01/23 (Alternative Minimum Tax)	5/04 at 101
	IOWA - 2.9%	
	Iowa Tobacco Settlement Authority, Tobacco Settlement Asset-Backed Revenue Bonds, Series 2001B:	
3,500	5.300%, 6/01/25	6/11 at 101
2,850	5.600%, 6/01/35	6/11 at 101
	MASSACHUSETTS - 0.3%	
500	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Partners HealthCare System, Inc., Series 2001C, 6.000%, 7/01/17	7/11 at 101
	MICHIGAN - 9.4%	
4,000	Michigan Housing Development Authority, Single Family Mortgage Revenue Bonds, Series 1996C, 5.950%, 12/01/17	6/06 at 102
235	Michigan State Hospital Finance Authority, Revenue Refunding Bonds, Detroit Medical Center Obligated Group, Series 1993A, 6.500%, 8/15/18	8/04 at 101
2,900	Michigan State Hospital Finance Authority, Revenue Refunding Bonds, Trinity Health Credit Group, Series 2002C, 5.375%, 12/01/30	12/12 at 100
8,240	Michigan Housing Development Authority, Limited Obligation Multifamily Housing Revenue Bonds, Greenwood Villa Project, Series 1992, 6.625%, 9/15/17 - FSA Insured	9/04 at 101
1,600	Plymouth-Canton Community School District, Wayne	5/09 at 100

	and Washtenaw Counties, Michigan, Unlimited Tax General Obligation School Building and Site Bonds, Series 1999, 4.750%, 5/01/18	
	NEBRASKA - 2.0%	
3,500	Nebraska Public Power District, General Revenue Bonds, Series 2002B, 5.000%, 1/01/33 - AMBAC Insured	1/13 at 100
	NEVADA - 4.9%	
4,000	State Department of Business and Industry, Director of Nevada, Revenue Bonds, Las Vegas Monorail Project, First Tier, Series 2000, 5.375%, 1/01/40 - AMBAC Insured	1/10 at 100
4,510	Reno, Nevada, Capital Improvement Revenue Bonds, Series 2002, 5.500%, 6/01/22 - FGIC Insured	6/12 at 100
	NEW HAMPSHIRE - 0.7%	
1,205	New Hampshire Housing Finance Agency, Single Family Mortgage Acquisition Bonds, Series 2001A, 5.600%, 7/01/21 (Alternative Minimum Tax)	5/11 at 100

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PRINCIPAL AMOUNT (000)	DESCRIPTION	OPTIONAL C PROVISIO
	NEW YORK - 3.5%	
$ 2,335	Long Island Power Authority, New York, Electric System General Revenue Bonds, Series 2001A, 5.375%, 9/01/21	9/11 at 100
35	New York City, New York, General Obligation Bonds, Series 1991B, 7.000%, 2/01/18	4/04 at 100
2,130	Dormitory Authority of the State of New York, Second General Resolution Consolidated Revenue Bonds, City University System, Series 1990C, 7.500%, 7/01/10	No Opt. C
1,475	New York State Medical Care Facilities Finance Agency, FHA-Insured Mortgage Program Revenue Bonds, Mount Sinai NYU Health Obligated Group, Series 1992C, 6.250%, 8/15/12 (Pre-refunded to 8/15/04)	8/04 at 100
	NORTH CAROLINA - 4.3%	
5,000	North Carolina Municipal Power Agency 1, Catawba	1/13 at 100

	Electric Revenue Bonds, Series 2003A, 5.250%, 1/01/18 - MBIA Insured	
2,345	Piedmont Triad Airport Authority, North Carolina, Airport Revenue Bonds, Series 2001A, 5.250%, 7/01/16 - FSA Insured	7/11 at 101
	PENNSYLVANIA - 2.5%	
2,435	Dauphin County Industrial Development Authority, Pennsylvania, Water Development Revenue Refunding Bonds, Dauphin Consolidated Water Supply Company, Series 1992B, 6.700%, 6/01/17	No Opt. C
500	Pennsylvania Higher Educational Facilities Authority, Revenue Bonds, Widner University, Series 2003, 5.250%, 7/15/24	7/13 at 100
1,000	Philadelphia Authority for Industrial Development, Pennsylvania, Airport Revenue Bonds, Philadelphia Airport System Project, Series 2001A, 5.500%, 7/01/17 (Alternative Minimum Tax) - FGIC Insured	7/11 at 101
	SOUTH CAROLINA - 2.3%	
1,500	Lexington County Health Service District, South Carolina, Hospital Revenue Refunding and Improvement Bonds, Series 2003, 6.000%, 11/01/18	11/13 at 100
2,500	South Carolina JOBS Economic Development Authority, Revenue Bonds, Bon Secours Health System, Inc., Series 2002A, 5.625%, 11/15/30	11/12 at 100
	TENNESSEE - 1.1%	
2,000	Knox County Health, Educational and Housing Facilities Board, Tennessee, Hospital Facilities Revenue Bonds, Baptist Health System of East Tennessee, Inc., Series 2002, 6.375%, 4/15/22	4/12 at 101
	TEXAS - 13.9%	
3,755	Grand Prairie Industrial Development Authority, Texas, Industrial Development Revenue Refund)	6/04 at 101

(10,523
)

92,060

30,274

Operating expenses:

Product development costs

601,748

1,388,380

5,466,742

6,551,507

Selling, general and administrative costs

2,367,849

1,822,806

6,856,815

5,857,656

Total operating expenses

2,969,597

3,211,186

12,323,557

12,409,163

Operating loss

(2,994,095
)

(3,221,709
)

(12,231,497
)

(12,378,889
)

Interest income, net

21,804

95,261

112,116

341,631

Foreign exchange gain (loss)

21,778

(113,373
)

16,196

(93,080
)

Loss before income taxes

(2,950,513
)

(3,239,821
)

(12,103,185
)

(12,130,338
)

Income tax benefit

1,453,243

1,053,427

1,453,243

1,053,427

Net loss

(1,497,270
)

(2,186,394
)

(10,649,942
)

(11,076,911
)

Less: Net loss attributable to the noncontrolling interest in Ocean Power Technologies (Australas

31,499

19,708

96,578

32,804

Net loss attributable to Ocean Power Technologies, Inc

$
(1,465,771
)

(2,166,686
)

(10,553,364
)

(11,044,107
)

Basic and diluted net loss per share

$

(0.14
)

(0.21
)

(1.02
)

(1.07
)

Weighted average shares used to compute basic and diluted net loss per share

10,304,277

10,276,788

10,300,626

10,273,636

See accompanying notes to consolidated financial statements (unaudited).

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Ocean Power Technologies, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Loss
(Unaudited)

	Three Months Ended January 31, 2013	Three Months Ended January 31, 2012	Nine Months Ended January 31, 2013	Nine Months Ended January 31, 2012
Net loss	$(1,497,270)	(2,186,394)	(10,649,942)	(11,076,911)
Foreign currency translation adjustment	16,549	(47,605)	(7,411)	(267,454)
Total comprehensive loss	(1,480,721)	(2,233,999)	(10,657,353)	(11,344,365)
Comprehensive loss attributable to the noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd.	32,260	20,266	97,812	34,085
Comprehensive loss attributable to Ocean Power Technologies, Inc	$(1,448,461)	(2,213,733)	(10,559,541)	(11,310,280)

See accompanying notes to consolidated financial statements (unaudited).

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Ocean Power Technologies, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended January 31, 2013	2012
Cash flows from operating activities:		
Net loss	$(10,649,942)	(11,076,911)
Adjustments to reconcile net loss to net cash used in operating activities:		
Foreign exchange (gain) loss	(16,196)	93,080
Depreciation and amortization	376,105	294,820
Loss on disposals of property, plant and equipment	310	9,715
Treasury note premium amortization	27,598	(31,633)
Compensation expense related to stock option grants and restricted stock	755,570	935,370
Changes in operating assets and liabilities:		
Accounts receivable	405,354	334,946
Unbilled receivables	(302,215)	316,084
Other current assets	526,232	20,340
Other noncurrent assets	(48,803)	54,183
Accounts payable	(32,503)	(761,241)
Accrued expenses	511,490	(860,101)
Unearned revenues	(608,275)	928,016
Long-term unearned revenues	841,524	—
Net cash used in operating activities	(8,213,751)	(9,743,332)
Cash flows from investing activities:		
Purchases of marketable securities	(12,680,022)	(12,849,207)
Maturities of marketable securities	20,913,831	26,727,857
Restricted cash	75,000	53,936
Purchases of equipment	(387,626)	(210,316)
Payments of patent costs	—	(138,889)
Net cash provided by investing activities	7,921,183	13,583,381
Cash flows from financing activities:		
Repayment of debt	(75,000)	(114,378)
Acquisition of treasury stock	(21,505)	(55,783)
Net cash used in financing activities	(96,505)	(170,161)
Effect of exchange rate changes on cash and cash equivalents	(9,446)	(216,273)
Net (decrease) increase in cash and cash equivalents	(398,519)	3,453,615
Cash and cash equivalents, beginning of period	9,353,460	4,376,136
Cash and cash equivalents, end of period	$8,954,941	7,829,751
Supplemental disclosure of noncash investing and financing activities:		
Capitalized patent costs financed through accounts payable and accrued expenses	$—	73,019
Capitalized purchases of equipment financed through accounts payable and accrued expenses	6,681	14,871

See accompanying notes to consolidated financial statements (unaudited).

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Ocean Power Technologies, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity
(Unaudited)

	Common Shares		Treasury Shares		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total I
	Shares	Amount	Shares	Amount					
Balance, April 30, 2011	10,419,183	$10,419	(7,685)	$(42,734)	157,174,930	(110,848,972)	175,907	21,948	46,49
Net loss	—	—	—	—	—	(11,044,107)	—	(32,804)	(11,07
Stock based compensation	—	—	—	—	841,602	—	—	—	841,60
Issuance (forfeiture) of restricted stock, net	(4,794)	(5)	—	—	93,773	—	—	—	93,76
Acquisition of treasury stock	—	—	(14,510)	(55,783)	—	—	—	—	(55,78
Other comprehensive loss	—	—	—	—	—	—	(266,173)	(1,281)	(267,4
Balance, January 31, 2012	10,414,389	$10,414	(22,195)	$(98,517)	158,110,305	(121,893,079)	(90,266)	(12,137)	36,02
Balance, April 30, 2012	10,407,389	$10,407	(23,544)	$(102,388)	158,296,458	(125,989,474)	(78,990)	(28,632)	32,10
Net loss	—	—	—	—	—	(10,553,364)	—	(96,578)	(10,64
Stock based compensation	—	—	—	—	713,635	—	—	—	713,6
Issuance (forfeiture) of restricted stock, net	(841)	—	—	—	41,933	—	—	—	41,93
Acquisition of treasury stock	—	—	(10,227)	(21,505)	—	—	—	—	(21,50

Other comprehensive loss	—	—	—	—	—	—	(6,177)	(1,234)	(7,41
Balance, January 31, 2013	10,406,548	$10,407	(33,771)	$(123,893)	159,052,026	(136,542,838)	(85,167)	(126,444)	22,18

See accompanying notes to consolidated financial statements (unaudited).

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

(1) Background and Basis of Presentation

Ocean Power Technologies, Inc. (the “Company”) was incorporated in April 1984 in New Jersey, commenced business operations in 1994 and re-incorporated in Delaware in April 2007. The Company develops and is seeking to commercialize proprietary systems that generate electricity by harnessing the renewable energy of ocean waves. The Company markets its products in the United States and internationally. Since fiscal 2002, the US Navy and other government agencies have accounted for a significant portion of the Company’s revenues. These revenues were largely for the support of product development efforts. The Company’s goal, over time, is to generate revenues from the sale of products and maintenance services to utilities and other non-government commercial customers, and to have any such revenues represent a substantial portion of its total revenues. As we continue to advance our proprietary technologies, we expect to continue to have a net decrease in cash from operating activities unless or until we achieve positive cash flow from the planned commercialization of our products and services.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The interim operating results are not necessarily indicative of the results for a full year or for any other interim period. Further information on potential factors that could affect the Company's financial results can be found in the Company's Annual Report on Form 10-K for the year ended April 30, 2012 filed with the Securities and Exchange Commission (“SEC”) and elsewhere in this Form 10-Q.

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Participation of stockholders other than the Company in the net assets and in the earnings or losses of a consolidated subsidiary is reflected as a noncontrolling interest in the Company's Consolidated Balance Sheets and Statements of Operations, which adjusts the Company's consolidated results of operations to reflect only the Company's share of the earnings or losses of the consolidated subsidiary. As of January 31, 2013, there was one noncontrolling interest, consisting of 11.8% of the Company's Australian subsidiary, Ocean Power Technologies (Australasia) Pty. Ltd.

In addition, the Company evaluates its relationships with other entities to identify whether they are variable interest entities, and to assess whether it is the primary beneficiary of such entities. If the determination is made that the Company is the primary beneficiary, then that entity is included in the consolidated financial statements. As of January 31, 2013, there were no such entities.

The Company has a 10% investment in Iberdrola Energias Marinas de Cantabria, S.A. (Iberdrola Cantabria). During the fourth quarter of fiscal 2012, the Company evaluated the realizability of this investment and concluded that it was impaired. Accordingly, the Company recorded an impairment expense of $0.3 million representing 100% of the investment amount. In addition, outstanding receivables from Iberdrola Cantabria in the amount of $0.3 million as of April 2012 were fully reserved during the fourth quarter of fiscal 2012. The investment in Iberdrola Cantabria and net accounts receivable and unbilled receivables from Iberdrola Cantabria were $0 as of January 31, 2013 and April 30, 2012. See Note 9.

Use of Estimates

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

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

(2) Summary of Significant Accounting Policies

(a) Revenue Recognition

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

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

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

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

(b) Cash and Cash Equivalents

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

		January 31, 2013	April 30, 2012
Checking and savings accounts	$	7,158,753	2,051,918
Certificates of deposits and US Treasury obligations		—	5,998,925
Money market funds		1,796,188	1,302,617
	$	8,954,941	9,353,460

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

(c) Restricted Cash and Credit Facility

A portion of the Company's cash is restricted under the terms of two security agreements.

One agreement is between Ocean Power Technologies, Inc. and Barclays Bank. Under this agreement, the cash is on deposit at Barclays Bank and serves as security for letters of credit that are expected to be issued by Barclays Bank on behalf of Ocean Power Technologies Ltd., one of the Company's subsidiaries, under a €800,000 credit facility established by Barclays Bank for Ocean Power Technologies Ltd. The credit facility is for the issuance of letters of credit and bank guarantees and carries a fee of 1% per annum of the amount of any such obligations issued by Barclays Bank. As of January 31, 2013, there were €266,000 in letters of credit outstanding under this agreement. The credit facility does not have an expiration date, but is cancelable at the discretion of the bank.

The other agreement is between Ocean Power Technologies, Inc. and the New Jersey Board of Public Utilities (NJBPU). The Company received a $500,000 recoverable grant award from the NJBPU. Under this agreement, the Company is required to assign to the NJBPU a certificate of deposit in an amount equal to the outstanding grant balance. See Note 6.

Cash restricted under security agreements is as follows:

		January 31, 2013	April 30, 2012
Barclays Bank agreement	$	973,656	953,712
NJBPU agreement		425,000	500,000
	$	1,398,656	1,453,712

(d) Foreign Exchange Gains and Losses

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

		Three Months Ended January 31,		Nine Months Ended January 31,	
		2013	2012	2013	2012
Foreign exchange gain (loss)	$	21,778	(113,373)	16,196	(93,080)

		January 31, 2013	April 30, 2012
Foreign currency denominated certificates of deposit and cash accounts	$	3,248,658	2,826,000

(e) Long-Lived Assets

Long-lived assets, such as property and equipment and patents subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, then an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. The Company reviewed its long-lived assets for impairment and determined there was no impairment for the nine months ended January 31, 2013.

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

(f) Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash balances, bank certificates of deposit and trade receivables. The Company invests its excess cash in highly liquid investments (principally, short-term bank deposits, Treasury bills, Treasury notes and money market funds) and does not believe that it is exposed to any significant risks related to its cash accounts, money market funds or certificates of deposit.

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

Customer	Three months ended January 31, 2013		Three months ended January 31, 2012		Nine months ended January 31, 2013		Nine months ended January 31, 2012	
US Department of Energy	44	%	42	%	52	%	28	%
Mitsui Engineering & Shipbuilding	12	%	—		20	%	—	
European Union (WavePort project)	25	%	19	%	18	%	8	%
US Navy	2	%	1	%	4	%	37	%
UK Government's Technology Strategy Board	7	%	30	%	4	%	23	%
	90	%	92	%	98	%	96	%

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

(g) Net Loss per Common Share

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

In computing diluted net loss per share, options to purchase shares of common stock and non-vested restricted stock issued to employees and non-employee directors, totaling 1,462,731 for the three and nine months ended January 31, 2013, and 1,534,767 for the three and nine months ended January 31, 2012, were excluded from the computations as the effect would be anti-dilutive due to the Company's losses.

(h) Recently Issued Accounting Standards

During the quarter ended July 31, 2012, the Company adopted the Financial Accounting Standards Board (FASB) amendment to the disclosure requirements for presentation of comprehensive income. The amendment requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance became effective retrospectively for the interim periods and annual periods beginning after December 15, 2011; however, the FASB agreed to an indefinite deferral of the reclassification requirement. See page 5 for the Consolidated Statements of Comprehensive Loss.

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

(3) Marketable Securities

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

		January 31, 2013	April 30, 2012
Certificates of deposit denominated in Australian dollars	$	104,450	556,437
Certificate of deposit denominated in US dollars		-	3,806,808
US Treasury obligations		13,996,755	18,006,239
	$	14,101,205	22,369,484

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

(4) Balance Sheet Detail

		January 31, 2013	April 30, 2012
Accounts Receivable, net			
Accounts receivable	$	950,640	1,369,400
Allowance for doubtful accounts		(295,386)	(304,604)
	$	655,254	1,064,796
Property and Equipment			
Property and Equipment	$	2,430,476	2,213,820
Accumulated depreciation and amortization		(1,615,092)	(1,530,887)
	$	815,384	682,933
Patents			
Patents	$	1,574,044	1,574,044
Accumulated amortization		(467,214)	(304,587)
	$	1,106,830	1,269,457
Accrued Expenses			
Project costs	$	1,001,836	244,892
Contract loss reserves		785,000	785,000
Employee incentive payments		138,627	661,328
Other		211,211	187,986
Employee-related costs		618,159	521,058
Investment in joint venture (Iberdrola Cantabria)		179,840	176,110
Legal and accounting fees		326,572	193,720
	$	3,261,245	2,770,094

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

(5) Related Party Transactions

In August 1999, the Company entered into a consulting agreement with an individual for the provision of marketing services. This agreement provides for fees at a rate of $950 per day of services provided. The individual became a member of the board of directors in June 2006. In addition, this individual is also the chief executive officer of a company that provides engineering and technical services to the Company. The Company also provides services to the company where this individual is the chief executive officer. This individual did not stand for re-election to the board of directors at the Company's Annual Meeting on October 4, 2012, and is no longer considered a related party, consequently, subsequent transactions are not included in the amounts below.

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2013	2012	2013	2012
Related party consulting expense	$ -	21,000	42,000	65,000
Expenses for services provided by related party company	-	-	-	29,000
Revenue for services provided to related party company	-	55,000	32,000	122,000

	January 31, 2013	April 30, 2012
Consulting fees payable to related party	$ -	$ 7,000
Payable to related party company	-	-
Receivable from related party company	-	-

(6) Debt

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

	January 31, 2013	April 30, 2012
Total debt	$ 375,000	450,000
Current portion of long-term debt	(100,000)	(100,000)
Long-term debt	$ 275,000	350,000

(7) Deferred Credits Payable and Deferred Credits

During the year ended April 30, 2001, in connection with the sale of common stock to an investor, the Company received $600,000 from the investor in exchange for an option to purchase up to 500,000 metric tons of carbon emissions credits generated by the Company during the years 2008 through 2012, at a 30% discount from the then-prevailing market rate. If the Company received emission credits under applicable laws and failed to sell to the investor the credits up to the full amount of emission credits covered by the option, the investor was entitled to liquidated damages equal to 30% of the aggregate market value of the shortfall in emission credits (subject to a limit on the market price of emission credits). Under the terms of the agreement, if the Company did not become entitled under applicable laws to the full amount of emission credits covered by the option by December 31, 2012, the Company was obligated to return the option fee of $600,000, less the aggregate discount on any emission credits sold to the investor prior to such date. In December 2012, the Company and the investor agreed to extend the period for the sale of emission credits until December 31, 2017. As of January 31, 2013, the Company has not generated any emissions credits eligible for purchase under the agreement and the Company does not believe it is probable that it will generate any eligible emissions credits before December 31, 2017. Accordingly, the $600,000 has been classified as a current liability as of April 30, 2012 and as a noncurrent liability as of January 31, 2013.

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

(8) Stock-Based Compensation

Costs resulting from all stock-based payment transactions are recognized in the consolidated financial statements at their fair values. 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 is being recognized in the consolidated statements of operations over the remaining service period after such date based on the award's original estimated fair value. The aggregate stock-based compensation expense related to all stock-based transactions recorded in the consolidated statements of operations was approximately $756,000 and $935,000 for the nine months ended January 31, 2013 and 2012, respectively.

(a) Stock Options

Valuation Assumptions for Options Granted During the Nine Months Ended January 31, 2013 and 2012

The fair value of each stock option granted, for both service-based and performance-based vesting requirements, during the nine months ended January 31, 2013 and 2012 was estimated at the date of grant using the Black-Scholes option pricing model, assuming no dividends and using the weighted average valuation assumptions noted in the following table. The risk-free rate is based on the US Treasury yield curve in effect at the time of grant. The expected life (estimated period of time outstanding) of the stock options granted was estimated using the "simplified" method as permitted by the SEC's Staff Accounting Bulletin No. 107, Share-Based Payment. Expected volatility was based on historical volatility for a peer group of companies for a period equal to the stock option's expected life, calculated on a daily basis.

	Nine Months Ended January 31, 2013	2012
Risk-free interest rate	0.9 %	1.8 %
Expected dividend yield	0.0 %	0.0 %
Expected life (years)	6.1	5.8
Expected volatility	86.15 %	94.5 %

The above assumptions were used to determine the weighted average per share fair value of $1.62 and $2.98 for stock options granted during the nine months ended January 31, 2013 and 2012, respectively.

A summary of stock options under the plans is as follows:

	Shares Underlying Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In Years)
Outstanding as of April 30, 2012	1,353,473	$ 8.92	
Forfeited	(304,898)	7.37	
Exercised	—	—	
Granted	356,021	2.01	
Outstanding as of January 31, 2013	1,404,596	7.51	6.2
Exercisable as of January 31, 2013	845,956	10.13	4.7

As of January 31, 2013, the total intrinsic value of outstanding options was approximately $106,000 and the total intrinsic value of exercisable options was $0. As of January 31, 2013, approximately 559,000 additional options are expected to vest in the future, which options had approximately $106,000 of intrinsic value and a weighted average remaining contractual term of 8.5 years. There was approximately $714,000 and $842,000 of total recognized compensation cost related to stock options for the nine months ended January 31, 2013 and 2012, respectively. As of January 31, 2013, there was approximately $988,000 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 2.8 years. The Company normally issues new shares to satisfy option exercises under these plans. During the nine months ended January 31, 2013, stock options granted included 39,240 stock options which are subject to performance-based vesting requirements. Stock options outstanding as of January 31, 2013 included 53,006 stock options subject to performance-based vesting requirements.

Ocean Power Technologies, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Unaudited)

(b) Restricted Stock

Compensation expense for non-vested restricted stock was historically recorded based on its market value on the date of grant and recognized over the associated service and performance period. During the nine months ended January 31, 2013, there were 18,000 shares of non-vested restricted stock granted to employees with performance-based vesting requirements. During the nine months ended January 31, 2013, 31,950 shares of non-vested restricted stock subject to performance-based vesting requirements were forfeited in accordance with performance objectives. Restricted stock issued and unvested at January 31, 2013 included 40,000 shares of non-vested restricted stock subject to performance-based vesting requirements.

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

	Number of Shares	Weighted Average Price per Share
Issued and unvested at April 30, 2012	93,840	$ 5.86
Granted	31,744	2.39
Forfeited	(32,585)	4.62
Vested	(34,864)	6.02
Issued and unvested at January 31, 2013	58,135	4.57

There was approximately $42,000 and $93,000 of total recognized compensation cost related to restricted stock for the nine months ended January 31, 2013 and 2012, respectively. As of January 31, 2013, there was approximately $63,000 of total unrecognized compensation cost related to non-vested restricted stock granted under the plans. This cost is expected to be recognized over a weighted average period of 2.6 years.

(c)Treasury Stock

During the nine months ended January 31, 2013 and 2012, 10,227 and 14,510 shares, respectively, of common stock were purchased by the Company from employees to pay taxes related to the vesting of restricted stock.

(9) Commitments and Contingencies

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.

Spain Construction Agreement

The Company is currently engaged with Iberdrola Cantabria in discussions regarding modifications to its agreement for the first phase of the construction of a wave power project off the coast of Spain. This first phase was due to be completed by December 31, 2009. If no modification is agreed to by the parties, the customer may, subject to certain conditions in the agreement, terminate the agreement and would not be obligated to make any more milestone payments. The agreement also provides that the customer may seek reimbursement for direct damages only, limited to amounts specified in the agreement, if the Company is in default of its obligations under the agreement. As of January 31, 2013, the Company does not believe that the outcome of this matter will have a material adverse effect on the Company's financial position or results of operations. See Note 1.

Spain IVA (sales tax)

The Company received notice that the Spanish Tax Authorities are inquiring into its 2010 IVA (value-added tax) filing for which the Company benefitted from the offset of approximately $250,000 input tax. The Company believes that the inquiry will find that the tax credit was properly claimed and, therefore, no liability has been recorded.

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

(10) Income Taxes

During the three and nine months ended January 31, 2013, the Company recorded an income tax benefit of $1,453,243, representing the proceeds from the sale of $18,675,000 of New Jersey net operating loss carryforwards. During the three and nine months ended January 31, 2012, the Company recorded an income tax benefit of $1,053,427, representing the proceeds from the sale of $12,862,000 of New Jersey net operating loss carryforwards.

Other than as a result of the sale of New Jersey net operating loss carryforwards, the Company did not recognize any consolidated income tax benefit (expense) for the three and nine month periods ended January 31, 2013 and 2012. The Company has recorded a valuation allowance to reduce its net deferred tax asset to an amount that is more likely than not to be realized in future years. Accordingly, the benefit of the net operating loss that would have been recognized was offset by changes in the valuation allowance.

During the nine months ended January 31, 2013, the Company had no material changes in uncertain tax positions.

(11) Operating Segments and Geographic Information

The Company views its business as one segment, which is the development and sale of its PowerBuoy product for wave energy applications. The Company operates on a worldwide basis with one operating company in the US, one operating subsidiary in the UK and one operating subsidiary in Australia, which are categorized below as North America, Europe, and Asia and Australia, respectively. Revenues are generally attributed to the operating unit that bills the customers.

Geographic information is as follows:

	North America	Europe	Asia and Australia	Total
Three months ended January 31, 2013				
Revenues from external customers	$803,524	62,029	—	865,553
Operating loss	(2,479,394)	(250,466)	(264,235)	(2,994,095)
Three months ended January 31, 2012				
Revenues from external customers	651,036	272,583	—	923,619
Operating loss	(2,707,718)	(336,482)	(177,509)	(3,221,709)
Nine months ended January 31, 2013				
Revenues from external customers	3,088,355	119,893	—	3,208,248
Operating loss	(10,669,102)	(751,444)	(810,951)	(12,231,497)
Nine months ended January 31, 2012				
Revenues from external customers	3,367,070	982,838	—	4,349,908
Operating loss	(10,988,918)	(1,080,726)	(309,245)	(12,378,889)
January 31, 2013				
Long-lived assets	736,459	77,148	1,777	815,384

Total assets	26,047,332	1,709,619	344,156	28,101,107
April 30, 2012				
Long-lived assets	585,818	97,115	—	682,933
Total assets	$35,181,637	1,619,973	640,027	37,441,637

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

The following discussion and analysis should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this Form 10-Q, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" section of our Annual Report on Form 10-K for fiscal 2012 for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. References to a fiscal year in this Form 10-Q refer to the year ended April 30 of that year (e.g., fiscal 2012 refers to the year ended April 30, 2012).

Overview

We develop and are seeking to commercialize proprietary systems that generate electricity by harnessing the renewable energy of ocean waves. Our PowerBuoy® systems use proprietary technologies to convert the mechanical energy created by the rising and falling of ocean waves into electricity. We currently offer and continue to develop two PowerBuoy product lines, which consist of our utility PowerBuoy system and our autonomous PowerBuoy system. We also offer operations and maintenance services for our PowerBuoy systems. In addition, we market our undersea substation pod product and undersea power connection infrastructure services to other companies in the marine energy sector. Since fiscal 2002, the US Navy and other government agencies have accounted for a significant portion of our revenues. These revenues were largely for the support of our product development efforts. Our goal, over time, is to generate revenues from utilities and other non-government commercial customers and to have any such revenues represent a substantial portion of our total revenues. In addition, our goal is that an increased portion of our revenues be from the sale of products and maintenance services, as compared to revenue to support our product development efforts. As we continue to advance our proprietary technologies, we expect to have a net decrease in cash from operating activities unless or until we achieve positive cash flow from the planned commercialization of our products and services.

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 independent of the power grid, to customers that require electricity in remote locations. We believe there are a variety of potential applications for our autonomous PowerBuoy system, including sonar and radar surveillance, tsunami warning, oceanographic data collection, offshore platforms and offshore aquaculture.

We were incorporated in New Jersey in April 1984, began business operations in 1994, and were re-incorporated in Delaware in 2007. We currently have three wholly-owned subsidiaries, Ocean Power Technologies Ltd., Reedsport OPT Wave Park LLC, and Oregon Wave Energy Partners I, LLC, and we own approximately 88% of the ordinary shares of Ocean Power Technologies (Australasia) Pty Ltd (OPTA). In March 2012, OPTA acquired 100% ownership of Victorian Wave Partners Pty Ltd.

The development of our technology has been funded by capital we raised and by development engineering contracts we received starting in fiscal 1995. In fiscal 1996, we received the first of several research contracts with the US Navy to study the feasibility of wave energy. As a result of those research contracts, we entered into our first development and construction contract with the US Navy in fiscal 2002 under a project for the development and testing of our wave power systems at the US Marine Corps Base in Oahu, Hawaii. This project included the grid-connection of one of our utility-grade PowerBuoys at the Marine Corps Base. We generated our first revenue relating to our autonomous PowerBuoy system from contracts with Lockheed Martin Corporation, or Lockheed Martin, 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. Subsequently, we received a contract from the US Navy to test our autonomous PowerBuoy system as a power source for the Navy’s Deep Water Active Detection System (DWADS). In 2011, an autonomous PowerBuoy was deployed for ocean trials off the coast of New Jersey under a contract from the US Navy under its Littoral Expeditionary Autonomous PowerBuoy (LEAP) program. The LEAP PowerBuoy, incorporating a unique power take-off and on-board storage system, is significantly smaller and more compact than our standard utility PowerBuoy. It is designed to provide persistent, off-grid clean energy in remote ocean locations for a wide variety of maritime security, monitoring and other commercial applications. Also in 2011, ocean trials of our first Mark 3 PowerBuoy (previously referred to as “150kW PowerBuoy” or “PB150”) were conducted. These ocean trials were conducted at a site approximately 33 nautical miles from Invergordon, off Scotland’s northeast coast. During the ocean trials, our Mark 3 PowerBuoy produced power in excess of our expectations of performance. Our utility scale Mark 3 PowerBuoy structure and mooring system achieved independent certification from Lloyd’s Register. This certification from Lloyd’s Register confirms that the Mark 3 PowerBuoy design complies with the requirements of Lloyd’s 1999 Rules and Regulations for the Classification of Floating Offshore Installations at Fixed Locations.

During the three months ended January 31, 2013, we continued work on the projects with Mitsui Engineering & Shipbuilding and the US Department of Homeland Security, our WavePort project in Spain and our Mark 3 PowerBuoy in Oregon. We also continued to work on developing our Mark 4 PowerBuoy (previously referred to as "PB500 PowerBuoy").

We are planning for deployment of a Mark 3 PowerBuoy off the coast of Oregon. However, deployment and commissioning of this PowerBuoy must take into consideration various regulatory, business, and a financial factors, including requirements of regulatory agencies and a significant use of funds. In February 2013, we received notification from staff of the Federal Energy Regulatory Commission (FERC) that it now considers our first Oregon PowerBuoy to be subject to its jurisdiction. If FERC is ultimately determined to have such jurisdiction, significant reporting and other procedures will be necessary to comply with FERC requirements, which will require us to make additional expenditures. These factors may delay deployment of the Oregon PowerBuoy beyond calendar 2013.

Our efforts continued in connection with deployment of the planned 19MW wave power project off the coast of Victoria, Australia. Funding for this project includes a grant of A$66.5 million (approximately US $70 million) awarded by the Commonwealth of Australia. The grant is subject to certain terms, including achievement of significant external funding milestones, in order to enable our receipt of the grant funds. In November 2012, we engaged a financial advisor to lead efforts to structure power purchase agreements and secure appropriate financing for this project. The Board of Directors of the Australian Renewable Energy Agency, the Commonwealth agency, that manages the grant, is reviewing the status of the grant, including progress toward funding milestones and amendments to the grant as proposed by us.

At January 31, 2013, our total negotiated backlog was $4.3 million compared with $7.8 million at January 31, 2012. We anticipate that the majority of our backlog will be recognized as revenue over a period exceeding 12 months. A portion of our backlog at January 31, 2013, is for our Oregon project, and we intend to seek additional funding to complete this project. Most of our backlog at January 31, 2013 and 2012 consisted of cost-sharing contracts as described in the Financial Operations Overview section of this Management's Discussion and Analysis. Our backlog can include both funded amounts, which are unfilled firm orders for our products and services for which funding has been both authorized and appropriated by the customer (Congress, in the case of US Government agencies) and unfunded amounts, which are unfilled firm orders from the US Department of Energy (DOE) for which funding has not been appropriated. If any of our contracts were to be terminated, our backlog would be reduced by the expected value of the remaining terms of such contracts. Funded backlog was $4.3 million and $5.8 million at January 31, 2013 and 2012, respectively.

For the three months ended January 31, 2013, we generated revenues of $0.9 million and incurred a net loss attributable to Ocean Power Technologies, Inc. of $1.5 million, compared to revenues of $0.9 million and a net loss attributable to Ocean Power Technologies, Inc. of $2.2 million for the three months ended January 31, 2012. For the nine months ended January 31, 2013, we generated revenues of $3.2 million and incurred a net loss attributable to Ocean Power Technologies, Inc. of $10.6 million, compared to revenues of $4.3 million and a net loss attributable to Ocean Power Technologies, Inc. of $11.0 million for the nine months ended January 31, 2012. As of January 31, 2013, our accumulated deficit was $136.5 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.

The recent global economic uncertainty may have a negative effect on our business, financial condition and results of operations. Currently, the cost of electricity generated from wave energy, without the benefit of subsidies or other economic incentives, substantially exceeds the prevailing price of electricity in many significant markets in the world. As a result, the near-term growth of the market opportunity for our utility PowerBuoy systems, which are designed to feed electricity into a local or regional power grid, depends significantly on the availability and magnitude of government incentives and subsidies for wave energy. Federal, state and local governmental bodies in many countries 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. The timing, scope and size of new government programs for renewable energy is uncertain, and there can be no assurances that we or our customers will be successful in obtaining any additional government funding. We do not believe the recent global economic uncertainty will have a material negative impact on our sources of supply, as our products incorporate what are substantially non-custom, standard parts found in many regions of the world.

According to the International Energy Agency, $3.4 trillion is expected to be spent for new renewable energy generation equipment in the period from 2007 to 2030. This equates to annual global expenditures of approximately $150 billion. We plan to take advantage of these global drivers of demand for renewable energy as we continue to refine and expand our proprietary technology.

Financial Operations Overview

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

Revenues

Generally, we recognize revenue using the percentage-of-completion method based on the ratio of costs incurred to total estimated costs at completion. In certain circumstances, revenue under contracts that have specified milestones or other performance criteria may be recognized only when our customer acknowledges that such criteria have been satisfied. In addition, recognition of revenue (and the related costs) may be deferred for fixed-price contracts until contract completion if we are unable to reasonably estimate the total costs of the project prior to completion. 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.

Generally our contracts are either cost plus or fixed price contracts. Under cost plus contracts, we bill the customer for actual expenses incurred plus an agreed-upon fee. Revenue is typically recorded using the percentage-of-completion method based on the maximum awarded contract amount. In certain cases, we may choose to incur costs in excess of the maximum awarded contract amounts resulting in a loss on the contract. Currently, we have two types of fixed price contracts, firm fixed price and cost-sharing. Under firm fixed price contracts, we receive an agreed-upon amount for providing products and services that are specified in the contract. Revenue is typically recorded using the percentage-of-completion method based on the contract amount. Depending on whether actual costs are more or less than the agreed-upon amount, there is a profit or loss on the project. Under cost-sharing contracts, the fixed amount agreed upon with the customer is only intended to fund a portion of the costs on a specific project. We fund the remainder of the costs as part of our product development efforts. Revenue is typically recorded using the percentage-of-completion method based on the amount agreed upon with the customer. An amount corresponding to the revenue is recorded in cost of revenues resulting in gross profit on these contracts of zero. Our share of the costs is recorded as product development expense. Most of our revenue in the three and nine months ended January 31, 2013 and 2012 was from cost-sharing contracts.

The following table provides information regarding the breakdown of our revenues by customer for the three and nine months ended January 31, 2013 and 2012:

Customer	Three months ended January 31,		Nine months ended January 31,	
($ millions)	2013	2012	2013	2012
US Department of Energy	$ 0.4	$ 0.4	$ 1.7	$ 1.2
Mitsui Engineering & Shipbuilding	0.1	—	0.6	—
European Union (WavePort project)	0.2	0.2	0.6	0.3
US Navy	—	—	0.1	1.6
UK Government's Technology Strategy Board	0.1	0.3	0.1	1.0
Other	0.1	—	0.1	0.2
	$ 0.9	$ 0.9	$ 3.2	$ 4.3

We currently focus our sales and marketing efforts on North America, the west coast of Europe, Australia and Japan. The following table provides information regarding the breakdown of our revenues by geographical location of our customers for the nine months ended January 31, 2013 and 2012:

	Nine months ended January 31,			
Customer Location	2013		2012	
United States	60	%	70	%
Europe	21	%	30	%
Asia and Australia	19	%	—	
	100	%	100	%

Cost of revenues

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

Product development costs

Our product development costs consist of salaries and other personnel-related costs and the costs of products, materials and outside services used in our product development and unfunded research activities. Our product development costs relate primarily to our efforts to increase the output and reliability of our utility PowerBuoy system, including the Mark 3 PowerBuoy, and to our research and development of new products, product applications and complementary technologies. We expense all of our product development costs as incurred.

Selling, general and administrative costs

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

Interest income

Interest income consists of interest received on cash and cash equivalents, investments in commercial bank-issued certificates of deposit and US Treasury bills and notes. Total cash, cash equivalents, restricted cash, and marketable securities were $24.5 million as of January 31, 2013, compared to $37.8 million as of January 31, 2012. Interest income in the nine months ended January 31, 2013 decreased compared to the nine months ended January 31, 2012 due to a decline in interest rates and a decline in cash, cash equivalents and marketable securities.

We anticipate that our interest income reported in fiscal 2013 will continue to be lower than the comparable periods of the prior fiscal year as a result of the decrease in invested cash.

Income tax benefit

During the nine months ended January 31, 2013 and 2012, we sold New Jersey net operating tax loss carryforwards resulting in income tax benefits of $1.5 million and $1.1 million, respectively.

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Foreign exchange gain (loss)

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

We invest in certificates of deposit and maintain cash accounts that are denominated in British pounds sterling, Euros and Australian dollars. These foreign-denominated certificates of deposit and cash accounts had a balance of $3.2 million as of January 31, 2013 and $3.6 million as of January 31, 2012, compared to our total cash, cash equivalents, restricted cash, and marketable securities balances of $24.5 million as of January 31, 2013 and $37.8 million as of January 31, 2012. These foreign currency balances are translated at each month end to our functional currency, the US dollar, and any resulting gain or loss is recognized in our results of operations.

In addition, a portion of our operations is conducted through our subsidiaries in countries other than the United States, specifically Ocean Power Technologies Ltd. in the United Kingdom, the functional currency of which is the British pound sterling, and Ocean Power Technologies (Australasia) Pty Ltd. in Australia, the functional currency of which is the Australian dollar. Both of these subsidiaries have foreign exchange exposure that results from changes in the exchange rate between their functional currency and other foreign currencies in which they conduct business. All of our international revenues for the three and nine months ended January 31, 2013 and 2012 were recorded in Euros, British pounds sterling, Australian dollars or Japanese yen.

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

Results of Operations

Three Months Ended January 31, 2013 Compared to Three Months Ended January 31, 2012

The following table contains selected statement of operations information, which serves as the basis of the discussion of our results of operations for the three months ended January 31, 2013 and 2012:

	Three Months Ended January 31, 2013		Three Months Ended January 31, 2012		% Change 2013 Period to 2012 Period
	Amount	As a % of Revenues (1)	Amount	As a % of Revenues (1)	
Revenues	$ 865,553	100 %	$ 923,619	100 %	(6)%
Cost of revenues	890,051	103	934,142	101	(5)
Gross loss	(24,498)	(3)	(10,523)	(1)	(133)
Operating expenses:					
Product development costs	601,748	70	1,388,380	150	(57)
Selling, general and administrative costs	2,367,849	274	1,822,806	197	30
Total operating expenses	2,969,597	343	3,211,186	348	(8)
Operating loss	(2,994,095)	(346)	(3,221,709)	(349)	7
Interest income, net	21,804	3	95,261	10	(77)
Foreign exchange gain (loss)	21,778	3	(113,373)	(12)	
Loss before income taxes	(2,950,513)	(341)	(3,239,821)	(351)	9
Income tax benefit	1,453,243	168	1,053,427	114	38
Net loss	(1,497,270)	(173)	(2,186,394)	(237)	32
Less: Net loss attributable to the noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd.	31,499	4	19,708	2	60
Net loss attributable to Ocean Power Technologies, Inc.	$ (1,465,771)	(169)%	$ (2,166,686)	(235)%	32 %

(1) Certain subtotals may not add due to rounding.

Revenues

Revenues were $0.9 million in the three months ended January 31, 2013 and also in the three months ended January 31, 2012. There was a slight decrease in revenue related to our Mark 4 PowerBuoy project, partially offset by an increase in revenue related to our project with Mitsui Engineering & Shipbuilding.

Cost of revenues

Cost of revenues was $0.9 million in the three months ended January 31, 2013 and also in the three months ended January 31, 2012. There was a slight decrease in cost of revenues related to our Mark 4 PowerBuoy project, partially offset by an increase in cost of revenues related to our project with Mitsui Engineering & Shipbuilding.

We operated at a slight gross loss in the three month periods ended January 31, 2013 and 2012. Most of our projects in the three month periods ended January 31, 2013 and 2012 were under cost-sharing contracts. Under cost-sharing contracts, we receive a fixed amount agreed upon with the customer that is only intended to fund a portion of the costs on a specific project. We fund the remainder of the costs primarily as part of our product development efforts. Revenue is typically recorded using the percentage-of-completion method applied to the contractual amount agreed upon with the customer. An equal amount corresponding to the revenue is recorded in cost of revenues resulting in gross profit on these contracts of zero. Our share of the costs is considered to be product development expense. Our ability to generate a gross profit will depend on the nature of future contracts, our success at increasing sales of our PowerBuoy systems and on our ability to manage costs incurred on our fixed price contracts.

Product development costs

Product development costs decreased by $0.8 million, or 57%, to $0.6 million in the three months ended January 31, 2013, as compared to $1.4 million in the three months ended January 31, 2012. Product development costs were attributable primarily to our efforts to increase the power output and reliability of our utility PowerBuoy system, especially for our utility-scale PowerBuoy system. The decrease in product development costs was related primarily to a decrease in activity related to our PowerBuoy project off the coast of Oregon. There was also a decrease in activity related to our project off the coast of Hawaii. The Hawaii project was completed in fiscal 2012. Over the next several years, it is our intent to fund the majority of our research and development expenses, including cost-sharing arrangements, with sources of external funding. If we are unable to obtain external funding, we may curtail our research and development expenses or we may decide to self-fund significant research and development expenses, in which case our product development costs may increase. During the three months ended January 31, 2013, the majority of funding for our Mark 4 PowerBuoy development project was from external sources.

Selling, general and administrative costs

Selling, general and administrative costs increased by approximately $0.6 million, or 30%, to $2.4 million for the three months ended January 31, 2013 as compared to $1.8 million for the three months ended January 31, 2012. The increase was due primarily to an increase in business development-related legal fees, site development expenses related to a potential project in Australia and certain employee-related costs.

Interest income

Interest income decreased approximately 77% to $22,000 for the three months ended January 31, 2013, as compared to $95,000 in the three months ended January 31, 2012, due to a decrease in cash, cash equivalents and marketable securities and a decrease in average yield.

Foreign exchange gain

Foreign exchange gain was $22,000 for the three months ended January 31, 2013, compared to a foreign exchange loss of $113,000 for the three months ended January 31, 2012. The difference was attributable primarily to the relative change in value of the British pound sterling, Euro, Australian dollar and Japanese yen compared to the US dollar during the two periods.

Income tax benefit

During the three months ended January 31, 2013 and 2012, we sold New Jersey net operating tax loss carryforwards resulting in income tax benefits of $1.5 million and $1.1 million, respectively.

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Nine Months Ended January 31, 2013 Compared to Nine Months Ended January 31, 2012

The following table contains selected statement of operations information, which serves as the basis of the discussion of our results of operations for the nine months ended January 31, 2013 and 2012:

	Nine Months Ended January 31, 2013			Nine Months Ended January 31, 2012			% Change 2013 Period to 2012 Period
	Amount	As a % of Revenues	(1)	Amount	As a % of Revenues	(1)	
Revenues	$ 3,208,248	100	%	$ 4,349,908	100	%	(26)%
Cost of revenues	3,116,188	97		4,319,634	99		(28)
Gross profit	92,060	3		30,274	1		204
Operating expenses:							
Product development costs	5,466,742	170		6,551,507	151		(17)
Selling, general and administrative costs	6,856,815	214		5,857,656	135		17
Total operating expenses	12,323,557	384		12,409,163	285		(1)
Operating loss	(12,231,497)	(381)		(12,378,889)	(285)		1
Interest income, net	112,116	3		341,631	8		(67)
Foreign exchange gain (loss)	16,196	1		(93,080)	(2)		
Loss before income taxes	(12,103,185)	(377)		(12,130,338)	(279)		—
Income tax benefit	1,453,243	45		1,053,427	24		38
Net loss	(10,649,942)	(332)		(11,076,911)	(255)		4
Less: Net loss attributable to the noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd.	96,578	3		32,804	—		194
Net loss attributable to Ocean Power Technologies, Inc.	$ (10,553,364)	(329)%		$ (11,044,107)	(254)%		4 %

(1) Certain subtotals may not add due to rounding.

Revenues

Revenues decreased by $1.1 million, or 26%, to $3.2 million in the nine months ended January 31, 2013, as compared to $4.3 million in the nine months ended January 31, 2012. The change in revenues was attributable to the following factors:

- Revenues relating to our autonomous PowerBuoy system decreased by $1.5 million primarily as a result of a decrease in billable work on our projects to provide our PowerBuoy technology to the US Navy's Littoral Expeditionary Autonomous PowerBuoy ("LEAP") program. The LEAP project was completed during fiscal

2012.

- Revenues relating to our utility PowerBuoy system increased by $0.4 million due primarily to an increase in billable work on our Power Buoy project off the coast of Oregon, our WavePort project off the coast of Spain and our project with Mitsui Engineering & Shipbuilding, partially offset by a decrease in billable work related to our Mark 4 PowerBuoy project.

Cost of revenues

Cost of revenues decreased by $1.2 million, or 28%, to $3.1 million in the nine months ended January 31, 2013, as compared to $4.3 million in the nine months ended January 31, 2012. This decrease in the cost of revenues reflected the decrease in billable work related to our LEAP project with the US Navy and our Mark 4 PowerBuoy project. The LEAP project was completed during fiscal 2012. This was partially offset by the increased activity on our PowerBuoy project off the coast of Oregon and our project with Mitsui Engineering & Shipbuilding.

We operated at a slight gross profit in the nine month periods ended January 31, 2013 and 2012. Most of our projects in the nine month periods ended January 31, 2013 and 2012 were under cost-sharing contracts. Under cost-sharing contracts, we receive a fixed amount agreed upon with the customer that is only intended to fund a portion of the costs on a specific project. We fund the remainder of the costs primarily as part of our product development efforts. Revenue is typically recorded using the percentage-of-completion method applied to the contractual amount agreed upon with the customer. An equal amount corresponding to the revenue is recorded in cost of revenues resulting in gross profit on these contracts of zero. Our share of the costs is considered to be product development expense. Our ability to generate a gross profit will depend on the nature of future contracts, our success at increasing sales of our PowerBuoy systems and on our ability to manage costs incurred on our fixed price contracts.

Product development costs

Product development costs decreased by $1.1 million, or 17%, to $5.5 million in the nine months ended January 31, 2013, as compared to $6.6 million in the nine months ended January 31, 2012. Product development costs were attributable primarily to our efforts to increase the power output and reliability of our utility PowerBuoy system, especially for our utility-scale PowerBuoy system. The decrease in product development costs was related primarily to a decrease in activity related to our project off the coast of Scotland. The Scotland project was completed in fiscal 2012. This was partially offset by an increase in activity related to our PowerBuoy project off the coast of Oregon and our WavePort project off the coast of Spain. Over the next several years, it is our intent to fund the majority of our research and development expenses, including cost-sharing arrangements, with sources of external funding. If we are unable to obtain external funding, we may curtail our research and development expenses or we may decide to self-fund significant research and development expenses, in which case our product development costs may increase. During the nine months ended January 31, 2013, the majority of funding for our Mark 4 PowerBuoy development project was from external sources.

Selling, general and administrative costs

Selling, general and administrative costs increased by $1.0 million, or 17%, to $6.9 million for the nine months ended January 31, 2013 as compared to $5.9 million for the nine months ended January 31, 2012. The increase was due primarily to an increase in business development-related legal fees and in site development expenses related to a potential project in Australia.

Interest income

Interest income decreased approximately 67% to $112,000 for the nine months ended January 31, 2013, as compared to $342,000 in the nine months ended January 31, 2012, due to a decrease in cash, cash equivalents and marketable securities and a decrease in average yield.

Foreign exchange loss

Foreign exchange gain was $16,000 for the nine months ended January 31, 2013, compared to a foreign exchange loss of $93,000 for the nine months ended January 31, 2012. The difference was attributable primarily to the relative change in value of the British pound sterling, Euro, Australian dollar and Japanese yen compared to the US dollar during the two periods.

Income tax benefit

During the nine months ended January 31, 2013 and 2012, we sold New Jersey net operating tax loss carryforwards resulting in income tax benefits of $1.5 million and $1.1 million, respectively.

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 two years ended April 30, 2012, our net losses were $35.6 million and our net cash used in operating activities was $32.7 million.

Cash flows for the nine months ended January 31, 2013 and 2012 were as follows:

	Nine Months Ended January 31, 2013	2012
Net loss	$ (10,649,942)	$ (11,076,911)
Adjustments for noncash operating items	1,143,387	1,301,352
Net cash operating loss	(9,506,555)	(9,775,559)
Net change in operating assets and liabilities	1,292,804	32,227
Net cash used in operating activities	$ (8,213,751)	$ (9,743,332)
Net cash provided by investing activities	$ 7,921,183	$ 13,583,381
Net cash used in financing activities	$ (96,505)	$ (170,161)
Effect of exchange rates on cash and cash equivalents	$ (9,446)	$ (216,273)

Net cash used in operating activities

Net cash used in operating activities was $8.2 million and $9.7 million for the nine months ended January 31, 2013 and 2012, respectively. The change was the result of an increase in cash provided by the net change in operating assets and liabilities of $1.3 million and a decrease in net loss of $0.4 million. Our quarterly cash outflow from operating activities may vary significantly in future periods depending upon the success of our new business development initiatives and expenditures related to our PowerBuoy project off the coast of Oregon.

Net cash provided by investing activities

Net cash provided by investing activities was $7.9 million for the nine months ended January 31, 2013 and $13.6 million for the nine months ended January 31, 2012. The change was primarily the result of a net decrease in maturities of marketable securities during the nine months ended January 31, 2013.

Net cash used in financing activities

Net cash used in financing activities was $97,000 and $170,000 for the nine months ended January 31, 2013 and 2012, respectively. The net cash used was primarily for repayment of long-term debt.

Effect of exchange rates on cash and cash equivalents

The effect of exchange rates on cash and cash equivalents was a decrease of $9,000 and $216,000 in the nine months ended January 31, 2013 and 2012, respectively. The effect of exchange rates on cash and cash equivalents results primarily from gains or losses on consolidation of foreign subsidiaries and foreign denominated cash and cash equivalents.

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Liquidity and Capital Resources Outlook

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 planned commercialization of the PowerBuoy systems. Our future capital requirements will depend on a number of factors, including:

- the cost of development efforts for our PowerBuoy systems;
- our success in developing commercial relationships with major customers;
- the ability to obtain project-specific financing, grants, subsidies and other sources of funding for some of our projects;
- the cost of manufacturing activities;
- the cost of commercialization activities, including demonstration projects, product marketing and sales;
- our ability to establish and maintain additional customer relationships;
- the implementation of our expansion plans, including the hiring of new employees as our business increases;
- 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 are planning for deployment of a Mark 3 PowerBuoy off the coast of Oregon. However, deployment and commissioning of this PowerBuoy must take into consideration various regulatory, business, and a financial factors, including requirements of regulatory agencies and a significant use of funds. Therefore, we intend to seek additional funding for this project, in view of risks associated with weather delays, operational needs and other factors.

We believe that our current cash, cash equivalents and investments will be sufficient to meet our anticipated cash needs for working capital and capital expenditures through April 30, 2014. We will seek to satisfy our capital needs through our business development activities; however, we may seek to sell additional equity or debt securities or obtain a credit facility. In January 2013, we filed a Form S-3 with the SEC. This shelf registration was declared effective in February 2013. 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, or at all. If we are unable to obtain required financing, we may be required to reduce the scope of our current projects, planned product development and marketing efforts, which could harm our financial condition and operating results.

Off-Balance Sheet Arrangements

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b). Based upon that evaluation, as of January 31, 2013, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended January 31, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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.

Item 1A. RISK FACTORS

The discussion of our business and operations should be read together with the risk factors contained in Item 1A of our Annual Report on Form 10-K for the year ended April 30, 2012. These risk factors describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties have the potential to affect our business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner. There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K filed with the SEC on July 13, 2012.

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

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

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan
November 1-30, 2012				
December 1-31, 2012				
January 1-31, 2013	5,953	$ 2.08		

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

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

None.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

10.1 Amendment Letter to Employment Agreement, dated December 12, 2012, between George W. Taylor and Ocean Power Technologies, Inc. (incorporated by reference from Exhibit 10.1 to our Form 10-Q filed December 14, 2012)

10.2 Amendment Letter to Employment Agreement, dated December 12, 2012, between Charles F. Dunleavy and Ocean Power Technologies, Inc. (incorporated by reference from Exhibit 10.1 to our Form 10-Q filed December 14, 2012)

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101 The following materials formatted in eXtensible Business Reporting Language (XBRL) from Ocean Power Technologies, Inc Quarterly Report on Form 10-Q for the quarter ended January 31, 2013, filed March 15, 2013: (i) Consolidated Balance Sheets – January 31, 2013 (unaudited) and April 30, 2012, (ii) Consolidated Statements of Operations (unaudited) – Three and nine Months Ended January 31, 2013 and 2012, (iii) Consolidated Statements of Comprehensive Loss (unaudited) – Three and nine Months Ended January 31, 2013 and 2012, (iv) Consolidated Statements of Cash Flows (unaudited) – Nine Months Ended January 31, 2013 and 2012, (v) Consolidated Statements of Stockholders' Equity (unaudited) – Nine Months Ended January 31, 2013 and 2012 and (vi) Notes to Consolidated Financial Statements.*

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

SIGNATURES

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

By: /s/ Charles F. Dunleavy
Charles F. Dunleavy
Chief Executive Officer
(Principal Executive Officer)

Date: March 15, 2013

By: /s/ Brian M. Posner
Brian M. Posner
Chief Financial Officer
(Principal Financial Officer)

Date: March 15, 2013

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