Enservco Corp
Form 424B5
December 02, 2016

Prospectus Supplement
(To Prospectus dated April 7, 2014)
11,250,000 Shares

Enservco Corporation
Common Stock

We are offering shares of our common stock pursuant to this prospectus supplement and the accompanying prospectus.
Our common stock is listed on the NYSE MKT under the symbol "ENSV." The last reported sale price of our common stock on the NYSE MKT on December 1, 2016 was $0.74 per share.
Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page S-6 of this prospectus supplement, in the accompanying prospectus and in the documents incorporated or deemed incorporated by reference herein and therein.

	Per Share	Total
Public offering price	$0.40	$4,500,000
Underwriting discount(1)	$0.03	$337,500
Offering proceeds to us, before expenses	$0.37	$4,162,500

(1) See "Underwriting" for a description of the compensation payable to the underwriter.

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

We have granted the underwriter the right to purchase up to 1,687,500 additional shares of our common stock. The underwriter can exercise this right at any time within 30 days after the offering.

The underwriter expects to deliver the shares of our common stock to purchasers on or about December 7, 2016.
William Blair

December 2, 2016

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission (the “SEC”) utilizing a “shelf” registration or continuous offering process. This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of our common stock and updates certain earlier-dated information. The second part is the accompanying prospectus, dated May 5, 2014, including the documents incorporated by reference therein, which provides more general information, some of which may not apply to this offering. Generally, when we refer to this prospectus supplement, we are referring to both parts of this document combined.

Before you invest in our common stock, we urge you to carefully read all of the information contained and incorporated by reference in this prospectus supplement, the accompanying prospectus and the registration statement of which this prospectus supplement and the accompanying prospectus form a part. The incorporated documents are described in this prospectus supplement under “Where You Can Find More Information” and “Incorporation of Certain Documents by Reference.”

To the extent that any statement in this prospectus supplement is inconsistent with a statement in the accompanying prospectus or any documents incorporated by reference herein or therein, the statement made in this prospectus supplement will be deemed to modify or supersede that made in the accompanying prospectus or such other document. If any statement in one of these documents is inconsistent with a statement in another document having a later date, the statement in the document having the later date will be deemed to modify or supersede the earlier statement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus and in any free writing prospectus distributed by us. We have not, and the underwriter has not, authorized anyone to provide you with additional, different or inconsistent information. We are not, and the underwriter is not, making an offer to sell or soliciting an offer to buy shares of our common stock in any jurisdiction where such offer or sale is not permitted.

You should not assume that the information provided by this prospectus supplement or the accompanying prospectus is accurate as of any date other than their respective dates. You should not assume that the information incorporated by reference in this prospectus supplement and in the accompanying prospectus is accurate as of any date other than the date of the document incorporated by reference, even if this prospectus supplement is delivered, or shares of our common stock are sold, on a later date. Our business, financial condition, results of operations, and prospects may have changed since those dates.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain and incorporate by reference “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In some cases, you can identify forward-looking statements by terms such as “anticipate,” “could,” “project,” “intend,” “estimate,” “expect,” “believe,” “predic “budget,” “goal,” “plan,” “forecast,” “target” and other similar expressions.

All statements, other than statements of historical facts, contained or incorporated by reference in this prospectus supplement and the accompanying prospectus are forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, many factors could cause our actual results to differ materially from what is expressed in or indicated by the forward-looking statements. Forward-looking statements are subject to known and unknown risks and uncertainties, including, among others, the risks set forth in the section of this prospectus supplement entitled “Risk Factors” and included or incorporated by reference in this prospectus supplement and the accompanying prospectus, as well as the following factors:

capital requirements and uncertainty of obtaining additional funding on terms acceptable to us;

price volatility of oil and natural gas prices, and the effect that lower prices may have on our customers’ demand for our services, the result of which may adversely impact our revenues and stockholders' equity;

a decline in oil or natural gas production, and the impact of general economic conditions on the demand for oil and natural gas and the availability of capital which may impact our ability to perform services for our customers;

the broad geographical diversity of our operations which, while expected to diversify the risks related to a slow-down in one area of operations, also adds significantly to our costs of doing business;

constraints on us as a result of our substantial indebtedness, including restrictions imposed on us under the terms of our credit facility agreement and our ability to generate sufficient cash flows to repay our debt obligations;

our history of losses and working capital deficits which, at times, were significant;

adverse weather and environmental conditions;

reliance on a limited number of customers;

our ability to retain key members of our senior management and key technical employees;

impact of environmental, health and safety and other governmental regulations, and of current or pending legislation with which we and our customers must comply;

developments in the global economy;

changes in tax laws;

the effects of competition;

the effect of seasonal factors;

risks relating to any unforeseen liabilities;

federal and state initiatives relating to the regulation of hydraulic fracturing;

further sales or issuances of our common stock and the price and volume volatility of our common stock; and

our common stock's limited trading history.

All forward-looking statements, express or implied, contained or incorporated by reference in this prospectus supplement and the accompanying prospectus are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements to reflect events or circumstances after the date of this prospectus supplement.

PROSPECTUS SUPPLEMENT SUMMARY

This summary provides a brief overview of information contained elsewhere in or incorporated by reference into this prospectus supplement and the accompanying prospectus. Because it is abbreviated, this summary does not contain all of the information that you should consider before investing in our common stock. You should carefully read this entire prospectus supplement, the accompanying prospectus and any free writing prospectus distributed by us before making an investment decision, including the information presented under the headings “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements” in this prospectus supplement and the financial statements and other information included in or incorporated by reference into this prospectus supplement and the accompanying prospectus.

In this prospectus supplement, the terms “Enservco,” “Enservco Corporation,” “the Company,” “we,” “our,” “ours” and “us” re Enservco Corporation and its subsidiaries.

Overview

We and our wholly owned subsidiaries provide well enhancement and fluid management services to the domestic onshore oil and natural gas industry. These services include frac water heating, hot oiling and acidizing (well enhancement services), and water transfer, water treatment, water hauling, fluid disposal, frac tank rental (fluid management services) and other general oilfield services. We own and operate a fleet of more than 340 specialized trucks, trailers, frac tanks and other well-site related equipment and serve customers in several major domestic oil and gas fields including the DJ Basin/Niobrara field in Colorado, the Bakken field in North Dakota, the Marcellus and Utica Shale fields in Pennsylvania and Ohio, the Jonah Field, Green River and Powder River Basins in Wyoming, the Eagle Ford Shale and Permian Basin in Texas and the Mississippi Lime and Hugoton Fields in Kansas and the Stack and Scoop plays in the Anadarko Basin in Oklahoma.

We were originally incorporated as Aspen Exploration Corporation (“Aspen”) under the laws of the State of Delaware on February 28, 1980 for the primary purpose of acquiring, exploring and developing oil and natural gas and other mineral properties. During the first half of 2009, Aspen disposed of its oil and natural gas producing assets and, as a result, was no longer engaged in active business operations. On June 24, 2010, Aspen entered into an Agreement and Plan of Merger and Reorganization with Dillco Fluid Service, Inc. (“Dillco”), pursuant to which Dillco became a wholly owned subsidiary of Aspen on July 27, 2010. On December 30, 2010, Aspen changed its name to “Enservco Corporation.”

Corporate Structure

Our business operations are conducted primarily through Heat Waves Hot Oil Service LLC (“Heat Waves”) and Dillco. The below table provides an overview of our current subsidiaries and their activities.

Name	State of Formation	Ownership	Business
Heat Waves Hot Oil Service LLC (“Heat Waves”)	Colorado	100% by Enservco	Oil and natural gas well services, including logistics and stimulation.
Dillco Fluid Service, Inc. (“Dillco”)	Kansas	100% by Enservco	Oil and natural gas field fluid logistic services primarily in the Hugoton Basin in western Kansas and northwestern Oklahoma.
Heat Waves Water Management LLC	Colorado	100% by Enservco	Water transfer and water treatment Services

("HWWM")			
HE Services, LLC ("HES")	Nevada	100% by Heat Waves	No active business operations. Owns construction equipment that is used by Heat Waves.
Real GC, LLC ("Real GC")	Colorado	100% by Heat Waves	No active business operations. Owns real property in Garden City, Kansas that is used by Heat Waves.

On November 24, 2015, Heat Waves Water Management LLC ("HWWM") was organized under the laws of the state of Colorado as our wholly owned subsidiary for the purposes of launching a new water management division.

Effective January 1, 2016, HWWM acquired the water transfer assets from WET Oil Services, LLC including vehicles, high and low volume pumps, manifolds, pipe and other support equipment for water transfer operations. In addition, effective January 1, 2016, HWWM acquired a new water treatment technology utilized in devices, sold under the name of HydroFLOW, and various other water transfer assets including high and low volume pumps, lay flat hose, trailers, generators, pipe and other equipment from HII Technologies, Inc. and its affiliates ("HIIT"). The total purchase price for both acquisitions was approximately $4.0 million dollars. HydroFLOW products offer water treatment services based on patented hydropath technology that can remove bacteria and scale from water using electrical induction to reduce or eliminate down-hole scaling and corrosion. HWWM will provide water transfer services and water treatment services to the onshore oil and natural gas sector.

Overview of Business Operations

As described above, we primarily conduct our business operations through our principal operating subsidiaries, Heat Waves, HWWM and Dillco, which provide oil field services to the domestic onshore oil and natural gas industry. These services include frac water heating, hot oiling, pressure testing, acidizing, water transfer, bacteria and scale treatment, freshwater and saltwater hauling, fluid disposal, frac tank rental, well site construction and other general oil field services. As described in the table above, certain assets utilized by Heat Waves and Dillco in their business operations are owned by other subsidiary entities. We currently operate in the following geographic regions:

Eastern USA Region, including the southern region of the Marcellus Shale formation (southwestern Pennsylvania and northern West Virginia) and the Utica Shale formation in eastern Ohio. The Eastern USA Region operations are deployed from Heat Waves' operations center in Carmichaels, Pennsylvania, which opened in the first quarter of 2011.

Rocky Mountain Region, including western Colorado and southern Wyoming (D-J Basin and Niobrara formations), central Wyoming (Powder River and Green River Basins) and western North Dakota and eastern Montana (Bakken formation). The Rocky Mountain Region operations are deployed from Heat Waves' operations centers in Killdeer, North Dakota, Tioga, North Dakota, Rock Springs, Wyoming and Platteville, Colorado.

Central USA Region, including the Mississippi Lime and Hugoton Field in southwestern Kansas, Texas panhandle, and northwestern Oklahoma, the Stack and Scoop plays in the Anadarko Basin in Oklahoma and the Eagle Ford Shale and Permian Basin in Texas. The Central USA Region operations are deployed from operations centers in Garden City, Kansas, Hugoton, Kansas, Okarche, Oklahoma and Jourdanton, Texas.

Management believes that the Company is strategically positioned with its ability to provide its services to a large customer base in key oil and natural gas basins in the United States notwithstanding the current depressed state of the oil and natural gas industry. Management is optimistic that as a result of the significant expenditures the Company has made in new equipment, in combination with expanding into new basins and geographical locations, the Company will be able to further grow and develop its business operations when the industry rebounds, although our ability to do so is clearly subject to domestic and international conditions in the oil and gas industry, which have been adversely impacted by the substantial decline in crude oil prices since July 2014.

Historically, our growth strategy included strategic acquisitions of operating companies and then expanding operations through additional capital investment consisting of the acquisition and fabrication of property and equipment. That strategy also included expanding our geographical footprint and expanding the services it provides. These strategies are exemplified by the following:

(1)
In 2014 and 2015, we spent approximately $24 million and $4.5 million, respectively, for the acquisition and fabrication of additional frac water heating, hot oiling and acidizing equipment.

(2)
To expand our footprint, in early 2010 Heat Waves began providing services in the Marcellus Shale natural gas field in southwestern Pennsylvania and West Virginia, and in September 2011 Heat Waves extended its services into the D-J Basin and Niobrara formations and the Bakken formation through opening new operation centers in southern Wyoming and western North Dakota, respectively. In late 2012, we expanded our operations, through Heat Waves' Pennsylvania operations center, into the Utica Shale formation in eastern Ohio. Also, in mid-2015, we expanded our operations into the Eagle Ford formation through opening a new operations center in southern Texas. And, in 2016 we have begun to provide some services in the Permian Basin in west Texas.

(3)
To expand our service offerings, in January 2016, we acquired assets for approximately $4.0 million in order to provide water transfer services and bacteria and scaling treatment solutions to our customers in all of our operating areas.

Going forward, and subject to the availability of adequate financing, we expect to continue to pursue our growth strategies of exploring additional acquisitions, potentially expanding the geographic areas in which we operate, diversifying the products and services we provide to customers, and making further investments in our assets and equipment.

Corporate Information

Our executive (or corporate) offices are located at 501 South Cherry Street, Suite 1000, Denver, CO 80246. Our telephone number is (303) 333-3678, and our facsimile number is (720) 974-3417. Our website is www.enservco.com. Information contained on or accessible through our website is not incorporated by reference in or otherwise a part of this prospectus supplement or the accompanying prospectus.

THE OFFERING

Issuer:	Enservco Corporation
Common stock offered by us:	11,250,000 shares (or 12,937,500 shares if the underwriter exercises its option to purchase additional shares in full).
Common stock outstanding immediately after this offering:	49,380,160 shares (or 51,067,660 shares if the underwriter exercises its option to purchase additional shares in full).
Option to purchase additional shares:	We have granted the underwriter an option to purchase up to 1,687,500 additional shares of our common stock within 30 days from the date of this prospectus supplement.
Use of proceeds:	We intend to use the net proceeds to repay outstanding indebtedness under our revolving credit facility. See “Use of Proceeds.”
Dividend policy:	We have not declared or paid any cash or other dividends on our common stock, and we do not intend to declare or pay any cash or other dividends in the foreseeable future. See “Dividend Policy.”
Risk Factors:	Investing in our common stock involves a high degree of risk. You should carefully read and consider the risks set forth in the section of this prospectus supplement entitled “Risk Factors” and all other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus before deciding to invest in our common stock.
Underwriting:	William Blair & Company, L.L.C. has agreed, subject to the terms and conditions set forth in the underwriting agreement by and between William Blair & Company, L.L.C. and us, to purchase from us all of the shares of our common stock sold in this offering. See “Underwriting.”
NYSE MKT trading symbol:	“ENSV.”

The number of shares of our common stock to be outstanding after this offering is based on 38,130,160 shares of our common stock outstanding as of November 29, 2016. This number excludes 4,211,168 shares that may be issued pursuant to outstanding awards under our equity compensation plan and 180,001 shares that may be issued pursuant to outstanding warrants at an average exercise price of $0.57. Unless otherwise indicated, the information in this prospectus supplement reflects and assumes no exercise by the underwriter of its option to purchase additional shares.

RISK FACTORS

An investment in our common stock involves a high degree of risk. Prior to making a decision about investing in our common stock, you should carefully consider the risk factors listed below, together with the other information contained and incorporated by reference in this prospectus supplement and the accompanying prospectus, including our Annual Report on Form 10-K for the year ended December 31, 2015. The risks and uncertainties we have described are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our operations. If any of these risks actually occurs, our business, results of operations and financial condition could suffer, and you could lose all or part of your investment.

Operations Related Risks

We may be unable to implement price increases or maintain existing prices on our core services.

We periodically seek to increase the prices of our services to offset rising costs and to generate higher returns for our stockholders. Currently, the prices we are able to charge for our services and the demand for our services are depressed. We operate in a very competitive industry and, as a result, we are not always successful in raising or maintaining our existing prices. Additionally, during periods of increased market demand, a significant amount of new equipment may enter the market, which would also put pressure on the pricing of our services. Even when we are able to increase our prices, we may not be able to do so at a rate that is sufficient to offset rising costs. Also, we may not be able to successfully increase prices without adversely affecting our activity levels. The inability to maintain our prices or to increase the prices of our services to offset rising costs increase could have a material adverse effect on our business, financial position and results of operations.

We participate in a capital-intensive industry. We may not be able to finance future growth of our operations or future acquisitions.

Our business activities require substantial capital expenditures. If our cash flow from operating activities and borrowings under our existing credit facility were not sufficient to fund our capital expenditure budget, we would be required to reduce these expenditures or to fund these expenditures through new debt or equity issuances.

Our ability to raise new debt or equity capital or to refinance or restructure our debt at any given time depends, among other things, on the condition of the capital markets and our financial condition at such time. Also, the terms of existing or future debt or equity instruments could further restrict our business operations. The inability to finance future growth could materially and adversely affect our business, financial condition and results of operations.

Increased labor costs or the unavailability of skilled workers could hurt our operations.

Companies in our industry, including us, are dependent upon the available labor pool of skilled workers. We compete with other oilfield services businesses and other employers to attract and retain qualified personnel with the technical skills and experience required to provide our customers with the highest quality service. We are also subject to the Fair Labor Standards Act, which governs such matters as minimum wage, overtime and other working conditions, and which can increase our labor costs or subject us to liabilities to our employees. A shortage in the labor pool of skilled workers or other general inflationary pressures or changes in applicable laws and regulations could make it more difficult for us to attract and retain personnel and could require us to enhance our wage and benefits packages. Labor costs may increase in the future or we may not be able to reduce wages when demand and pricing falls, and such changes could have a material adverse effect on our business, financial condition and results of operations.

Historically, we have experienced a high employee turnover rate. Any difficulty we experience replacing or adding workers could adversely affect our business.

We believe that the high turnover rate in our industry is attributable to the nature of oilfield services work, which is physically demanding and performed outdoors. As a result, workers may choose to pursue employment in areas that offer a more desirable work environment at wage rates that are competitive with ours. The potential inability or lack of desire by workers to commute to our facilities and job sites, as well as the competition for workers from competitors or other industries, are factors that could negatively affect our ability to attract and retain skilled workers. We may not be able to recruit, train and retain an adequate number of workers to replace departing workers. The inability to maintain an adequate workforce could have a material adverse effect on our business, financial condition and results of operations.

Our ability to use our net operating loss carry forwards may be subject to limitation and may result in increased future tax liability.

Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, contain rules that limit the ability of a corporation that undergoes an “ownership change” to utilize its net operating loss carry forwards (“NOLs”) and certain built-in losses recognized in years after the ownership change. An “ownership change” is generally defined as any change in ownership of more than 50% of a corporation’s stock over a rolling three-year period by stockholders that own (directly or indirectly) 5% or more of the stock of the corporation, or arising from a new issuance of stock by the corporation. If an ownership change occurs, Section 382 generally imposes an annual limitation on the use of pre-ownership change net operating losses, or NOLs, credits and certain other tax attributes to offset taxable income earned after the ownership change. The annual limitation is equal to the product of the applicable long-term tax exempt rate and the value of the corporation’s stock immediately before the ownership change. This annual limitation may be adjusted to reflect any unused annual limitation for prior years and certain recognized built-in gains for the year. In addition, Section 383 generally limits the amount of tax liability in any post-ownership change year that can be reduced by pre-ownership change tax credit carryforwards. If we were to experience an "ownership change," this could result in increased U.S. federal income tax liability for us if we generate taxable income after the ownership change. Limitations on the use of NOLs and other tax attributes could also increase our state tax liabilities. The use of our tax attributes will also be limited to the extent that we do not generate positive taxable income in future tax periods. As a result of these limitations, we may be unable to offset future taxable income, if any, with NOLs before such NOLs expire. Accordingly, these limitations may increase our federal and state income tax liabilities.

Although we do not expect to incur an ownership change as a result of the transactions described in this offering, it is possible that the transactions described in this offering, when combined with past and future transactions, will cause us to undergo one or more ownership changes. As of December 31, 2015, we had U.S. federal NOLs of approximately $5.0 million and state NOLs of approximately $3.4 million. Due to losses incurred to date in 2016, we expect these NOLs to increase as of December 31, 2016.

Risks Relating to Our Common Stock and this Offering

We have no plans to pay dividends on our common stock for the foreseeable future. Stockholders may not receive funds without selling their shares.

We do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain future earnings, if any, to finance the expansion of our business. Our future dividend policy is within the discretion of our board of directors and will depend upon various factors, including our business, financial condition, results of operations, capital requirements and investment opportunities. Accordingly, if you purchase shares of our common stock in this offering, realization of a gain on your investment will depend on the appreciation of the price of our common stock. Investors seeking cash dividends in the foreseeable future should not purchase our common stock.

Our board of directors can, without stockholder approval, cause preferred stock to be issued on terms that adversely affect holders of our common stock.

Under our certificate of incorporation, our board of directors is authorized to issue up to 10,000,000 shares of preferred stock, of which none are issued and outstanding as of the date of this prospectus supplement. Also, our board of directors, without stockholder approval, may determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares. If our board of directors causes shares of preferred stock to be issued, the rights of the holders of our common stock would likely be subordinate to those of preferred holders and therefore could be adversely affected. Our board of directors' ability to determine the terms of preferred stock and to cause its issuance, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire a majority of our outstanding voting stock. Preferred shares issued by our board of directors could include voting rights or super voting rights, which could shift the ability to control the Company to the holders of the preferred stock. Preferred stock could also have conversion rights into shares of our common stock at a discount to the market price of our common stock, which could negatively affect the market for our common stock. In addition, preferred stock would have preference in the event of liquidation of the corporation, which means that the holders of preferred stock would be entitled to receive the net assets of the corporation distributed in liquidation before the holders of our common stock receive any distribution of the liquidated assets. We have no current plans to issue any shares of preferred stock.

The price of our common stock may be volatile regardless of our operating performance, and you may not be able to resell shares of our common stock at or above the price you paid or at all..

The trading price of our common stock may be volatile, and you may not be able to resell your shares at or above the price at which you paid in this offering, in response to a number of factors, including those listed under the heading "Risk Factors" in this prospectus supplement, together with the other information contained and incorporated by reference in this prospectus supplement and in the accompanying prospectus, many of which are beyond our control. Other factors that may affect the market price of our common stock include:

actual or anticipated fluctuations in our quarterly results of operations;

liquidity;

sales of our common stock by our stockholders;

changes in oil and natural gas prices;

changes in our cash flow from operations or earnings estimates;

publication of research reports about us or the oil and natural gas exploration, production and service industry generally;

competition from other oil and gas service companies and for, among other things, capital and skilled personnel;

increases in market interest rates which may increase our cost of capital;

changes in applicable laws or regulations, court rulings, and enforcement and legal actions;

changes in market valuations of similar companies;

adverse market reaction to any indebtedness we may incur in the future;

additions or departures of key management personnel;

actions by our stockholders;

commencement of or involvement in litigation;

news reports relating to trends, concerns, technological or competitive developments, regulatory changes, and other related issues in our industry;

speculation in the press or investment community regarding our business;

political conditions in oil and natural gas producing regions;

general market and economic conditions; and

domestic and international economic, legal, and regulatory factors unrelated to our performance.

In addition, the U.S. securities markets have experienced significant price and volume fluctuations. These fluctuations often have been unrelated to the operating performance of companies in these markets. Market fluctuations and broad market, economic and industry factors may negatively affect the price of our common stock, regardless of our operating performance. Any volatility or a significant decrease in the market price of our common stock could also negatively affect our ability to make acquisitions using our common stock. Further, if we were to be the object of securities class action litigation as a result of volatility in our common stock price or for other reasons, it could result in substantial costs and diversion of our management's attention and resources, which could negatively affect our financial results.

Investors in this offering may experience immediate and substantial dilution and additional stock offerings may further dilute stockholders.

The public offering price of the securities offered pursuant to this prospectus supplement may be substantially higher than the net tangible book value per share of our common stock. Therefore, if you purchase shares of our common stock in this offering, you may incur immediate and substantial dilution in the net tangible book value per share of our common stock from the price per share that you pay for such shares. If the holders of outstanding options exercise those options at prices below the public offering price, you will incur further dilution.

Given our plans and our expectation that we may need additional capital and personnel in the future, we may need to issue additional shares of our common stock or securities convertible into or exercisable for shares of our common stock, including preferred stock, options or warrants. The issuance of additional shares of our common stock may further dilute the ownership of our stockholders.

USE OF PROCEEDS

We estimate that the net proceeds from this offering of our common stock will be approximately $3,887,500, after deducting the underwriting discount and estimated