

CLEARONE INC  
Form S-1  
September 26, 2018

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**As filed with the Securities and Exchange Commission on September 25, 2018**

**Registration No.**

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

**FORM S-1**

**REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**CLEARONE, INC.**  
(Exact name of registrant as specified in its charter)

<b>Delaware</b>	<b>3661</b>	<b>87-0398877</b>
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

**5225 Wiley Post Way, Suite 500  
Salt Lake City, Utah 84116  
(801) 975-7200**

(Address, including zip code, and telephone number, including area code, of the registrant's principal executive offices)

**Zeynep Hakimoglu**  
**Chief Executive Officer**  
**ClearOne, Inc.**  
**5225 Wiley Post Way, Suite 500**  
**Salt Lake City, Utah 84116**  
**(801) 975-7200**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

**Copy to:**

**Mark Coffin**  
**Seyfarth Shaw LLP**  
**700 Milam Street, Suite 1400**  
**Houston, TX 77002**  
**Telephone: (713) 225-1337**

**As soon as practicable after this Registration Statement becomes effective.**  
**(Approximate date of commencement of proposed sale to the public)**

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 7(a)(2)(B) of the Securities Act.

**CALCULATION OF REGISTRATION FEE**

<b>Title of each class of securities to be registered(1)</b>	<b>Proposed Maximum Aggregate Offering Price(2)</b>	<b>Amount of Registration Fee</b>
Nontransferable Subscription Rights to purchase Common Stock(1)	N/A(2)	N/A(2)
Common stock, par value \$0.001 per share, issuable upon exercise of Subscription Rights(1)	\$10,000,000(3)	\$1,245(4)

TOTAL	\$10,000,000	\$1,245
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(1) This Registration Statement relates to: (a) non-transferable Subscription Rights to purchase Common Stock of the Registrant, which Subscription Rights are to be issued to holders of the Registrant's Common Stock on a pro rata basis without consideration; and (b) the shares of the Registrant's Common Stock issuable upon the exercise of such non-transferable Subscription Rights pursuant to the Rights Offering.

(2) The Subscription Rights are being issued without consideration. Pursuant to Rule 457(g), no separate registration fee is payable with respect to the Subscription Rights being offered hereby since the Subscription Rights are being registered in the same Registration Statement as the Common Stock underlying the Subscription Rights.

(3) Represents the estimated gross proceeds from the assumed exercise of all Subscription Rights.

(4) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**EXPLANATORY NOTE**

At the 2018 annual meeting of shareholders of ClearOne, Inc. (the “Company”) expected to be held on October 25, 2018 (the “Annual Meeting”), the Company’s shareholders will vote upon a proposal to reincorporate the Company from a Utah corporation to a Delaware corporation (the “Reincorporation”). The prospectus included in this registration statement on Form S-1 (the “Registration Statement”) assumes that the Reincorporation will be approved by the Company’s shareholders at the Annual Meeting, that the reincorporation will be completed immediately following the Annual Meeting, and that the Company will be a Delaware corporation prior to the Registration Statement being declared effective and prior to the commencement of the offering of securities contemplated by the Registration Statement. The Company intends to file a pre-effective amendment to the Registration Statement to update the Prospectus to reflect the results of the Annual Meeting and the Company’s corporate status.

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**The information in this prospectus is not complete and may be changed without notice. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale of these securities is not permitted.**

**PRELIMINARY PROSPECTUS  
SUBJECT TO COMPLETION, DATED SEPTEMBER 25, 2018**

**ClearOne, Inc.**

**Non-transferable Subscription Rights  
to Purchase an Aggregate of up to [\_\_\_\_\_] Shares of Common Stock at \$[\_\_\_] per Whole Share  
Issuable upon Exercise of the Subscription Rights**

We are distributing, at no charge, to holders of our outstanding Common Stock, non-transferable subscription rights to purchase in the aggregate up to [\_\_\_\_\_] shares of our Common Stock, \$0.001 par value per share, which we refer to as "Common Stock" at a cash subscription price of \$[\_\_\_] per whole share for maximum gross proceeds of \$[\_\_\_\_\_]. We refer to the offering of our Common Stock through the subscription rights as the "rights offering."

In the rights offering, you will receive one (1) subscription right for each one (1) share of Common Stock you hold as of 5:00 p.m. Eastern Standard Time, on [\_\_\_\_\_] , 2018, the record date of the rights offering.

Each subscription right will entitle you to purchase [\_\_\_\_\_] shares of our Common Stock at a subscription price of \$[\_\_\_] per whole share, which we refer to as the "basic subscription right." The subscription price was determined by our board of directors (the "Board of Directors"). We will not issue fractional shares in the rights offering. You will not receive any rights in our rights offering unless you hold shares of our Common Stock at the close of business on the record date, which is 5:00 p.m. Eastern Standard Time, on [\_\_\_\_\_] , 2018.

If you exercise your basic subscription rights in full and other shareholders do not fully exercise their basic subscription rights, we will grant you an over-subscription right to purchase the same number of shares of Common

Stock that you may acquire pursuant to the exercise of your basic subscription right, at the same subscription price of \$[ ] per share, additional shares of Common Stock that remain unsubscribed at the expiration of the rights offering. Over-subscription rights will be available only to shareholders who exercise their basic subscription rights in full. The over-subscription rights will be subject to availability and pro rata allocation of shares among shareholders exercising their over-subscription right.

You may exercise your subscription rights at any time beginning on the effective date of this prospectus and before the expiration of the rights offering, on [ ], 2018, at 5:00 p.m., Eastern Standard Time, which is [ ] calendar days after the effective date of the registration statement of which this prospectus is part, unless we extend the rights offering period, as determined at our sole discretion, for up to 30 calendar days.

We reserve the right to cancel the rights offering for any reason at our sole discretion any time before the expiration date. If we cancel the rights offering, any and all subscription payments that have been received by our Subscription Agent will be returned as soon as reasonably possible, without interest or penalty.

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Broadridge Corporate Issuer Solutions, Inc. (referred to herein as "Broadridge" and the "Subscription Agent") will serve as the Subscription Agent for the rights offering. The Subscription Agent will hold in escrow the funds we receive from subscribers until we complete or cancel the rights offering.

We are directly offering the subscription rights and the shares of Common Stock issuable upon exercise of the rights, all of which are covered by this Registration Statement. We have not engaged the services of any underwriters or selling agents. We will bear all costs, expenses and fees in connection with the registration of the shares of Common Stock issuable upon exercise of the subscription rights.

Our Common Stock is traded on the NASDAQ Capital Market under the symbol "CLRO." The shares of Common Stock that we issue in connection with the rights offering will also be listed on the NASDAQ Capital Market under the same symbol. The subscription rights will not be listed for trading on the NASDAQ Capital Market or any other stock exchange or market. On September 24, 2018, the last reported sale price for our Common Stock was \$2.25 per share. As of the close of business on September [\_\_], 2018, our Company had [\_\_\_\_\_] shares of Common Stock issued and outstanding.

Neither our Board of Directors nor our management has made any recommendations regarding the exercise of your subscription rights. You may not revoke or revise any exercises of subscription rights once made, unless we cancel the rights offering. You should carefully read this entire prospectus and all information that we incorporate by reference before you make any investment decision. See the section in this prospectus under the caption: "Incorporation of Certain Information by Reference." **Investing in our Common Stock involves certain risks. See "Risk Factors" beginning on page 14 to read about factors you should consider before exercising your subscription rights.**

Upon completion of the rights offering, shareholders who do not fully exercise their basic subscription rights will own a smaller proportional interest in the Company than if they had timely and fully exercised their basic subscription rights.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus is \_\_\_\_\_, 2018.





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INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

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**ABOUT THIS PROSPECTUS**

In considering any decision regarding an investment in the shares which are the subject of this prospectus, you should rely only upon the information contained in this prospectus and the information that we incorporate by reference into this prospectus. We have not authorized any persons to provide you with information which is different from the information contained in this prospectus or the information that we incorporate by reference into this prospectus. We take no responsibility for, and can provide no assurances as to the reliability of, any other information that you may obtain from other sources. The information contained in this prospectus is accurate only as of the date on the front cover of this prospectus. Any and all information that we incorporate by reference is accurate only as of the date of the referenced document so incorporated.

This prospectus is an offer to sell only the securities that are offered hereby, and only where it is lawful to do so. This prospectus does not offer to sell, or ask for offers to buy, any shares of our Common Stock in any state or jurisdiction (within or outside the United States) where it would not be lawful or where the person making the offer is not qualified to do so.

This prospectus is part of a registration statement that we filed with the U.S. Securities and Exchange Commission (the "SEC"). Please carefully read both this entire prospectus together with all information that we incorporate by reference. See the section of this prospectus under the caption: "Incorporation of Certain Information by Reference."

Except as otherwise indicated herein or as the context otherwise requires, references in this prospectus to "ClearOne," "CLRO," "the Company," "we," "us," "our," and similar references refer to ClearOne, Inc. and its subsidiaries. References in this prospectus to "Subscription Agent" refers to Broadridge.

**DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus and the documents we incorporate by reference into this prospectus may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, about the Company and its subsidiaries. We intend the coverage of our forward-looking statements to be within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact, and can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "could," "should," "projects," "plans," "goal," "targets," "potential," "estimates," "pro forma," "seeks," "intends," or "anticipates" or the negative form of these terms or comparable qualifying words. The basis for our forward-looking statements includes our current

expectations and a number of known and unknown risks and uncertainties that could cause actual outcomes to differ materially from our forward-looking statements. We caution readers not to place undue reliance on our forward-looking statements. In light of inherent uncertainties in forward-looking statements, the reader should not interpret inclusion of these statements as any representation by us or any other person that we will achieve or accomplish any of the matters expressed within the scope of any of our forward-looking statements. We assume no obligation to publicly update or revise our forward-looking statements or to advise of any changes regarding the basis of our assumptions and other factors relating to the forward-looking statements.

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**PROSPECTUS SUMMARY**

*This summary highlights information contained elsewhere in this prospectus. This summary is not complete and may not contain all of the information that you should consider before making any decision to invest in our Common Stock. Prior to making any investment decision, we encourage you to read the entire prospectus carefully, including the risks discussed in the "Risk Factors" section, as well as risk factors incorporated into this prospectus by reference to other documents. We also encourage you to review our financial statements and the other information that we provide in our periodic reports and other documents that we file with the SEC, as described under the caption: "Where You Can Find More Information."*

**Our Company**

ClearOne, Inc., a Delaware corporation, is a global company enabling conferencing, collaboration, and network streaming solutions. The performance and simplicity of our advanced, comprehensive solutions offer unprecedented levels of functionality, reliability and scalability. We derive most of our revenue from professional audio conferencing products by promoting our products in the professional audio-visual channel. We have extended our total addressable market from installed audio conferencing market to adjacent complementary markets – microphones, video collaboration and networked audio and video streaming. We have achieved this through strategic technological acquisitions as well as by internal product development.. Our Common Stock is traded on the NASDAQ Capital Market under the symbol "CLRO." The address of our principal executive office is 5225 Wiley Post Way, Suite 500, Salt Lake City, Utah 84116.

**The Rights Offering**

**Securities Offered** We are distributing, at no charge, to holders of our outstanding Common Stock, non-transferable subscription rights to purchase in the aggregate up to [\_\_\_\_\_] shares of our Common Stock, \$0.001 par value per share. You will receive one (1) subscription right for each one (1) share of Common Stock that you own on the record date. Each subscription right will entitle you to purchase [\_\_\_] shares of our Common Stock. We will issue shares of our Common Stock in the rights offering only in book-entry form. We will not issue stock certificates.

**Subscription Price** The subscription price is \$[\_\_\_] per whole share, payable in cash. The subscription price was determined by the Board of Directors based on its analysis of current market conditions, including the company's stock price performance in 2018 and general market conditions, with the subscription price representing a [\_\_\_]% discount to the most recent reported closing price of the company's common stock as reported on the NASDAQ Capital Market on \_\_\_\_\_, 2018. To be effective, any payment related to the exercise of a subscription right must be received by the Subscription Agent before the expiration

of the rights offering described below.

After the date of this prospectus, our Common Stock may trade at prices below the subscription price. In that event, our Board of Directors may change the subscription price of this offering or determine to cancel or otherwise alter the terms of the rights offering.

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<b><i>Basic Subscription Right</i></b>	Each subscription right will entitle you to purchase [___] shares of our Common Stock at a subscription price of \$[___] per whole share (the "basic subscription right"). The Company will allocate to you, by reference to your percentage ownership of the Company on the record date, a proportionate number of the rights offered. See the section in this prospectus under the caption: "The Rights Offering—The Subscription Rights—Basic Subscription Right."
<b><i>Over-Subscription Right</i></b>	If you exercise your basic subscription rights in full and other shareholders do not fully exercise their basic subscription rights, you may also exercise an over-subscription right to purchase the same number of shares of Common Stock that you may acquire pursuant to the exercise of your basic subscription right, at the same subscription price of \$[___] per whole share, some or all of the unsubscribed shares of Common Stock that remain available at the expiration of the rights offering. If the number of remaining shares is not sufficient to satisfy all of the over-subscriptions, the available remaining shares will be prorated among those subscribers who exercise over-subscription rights in proportion to their respective basic subscription rights. See the section in this prospectus under the caption: "The Rights Offering—The Subscription Rights—Over-Subscription Right."
<b><i>Record Date</i></b>	5:00 p.m., Eastern Standard Time, on [____], 2018.
<b><i>Expiration of the Offering Period</i></b>	5:00 p.m., Eastern Standard Time, on [____], 2018 which is [__] calendar days after the effective date of the registration statement of which this prospectus is a part. We may extend, in our sole discretion, the expiration of the offering period for exercising your subscription rights for a period not to exceed 30 calendar days.
<b><i>No Fractional Shares</i></b>	We will not issue any fractional shares in the rights offering. You may only exercise your rights to purchase shares in whole numbers.
<b><i>Use of Proceeds</i></b>	We intend to use the net proceeds from the rights offering as additional capital for general corporate purposes. See the section in this prospectus under the caption: "Use of Proceeds."
<b><i>Non-transferability of Subscription Rights</i></b>	The subscription rights that we issue in the rights offering may not be sold, transferred or subject to any other disposition. See the section in this prospectus under the caption: "The Rights Offering—Non-transferability of Subscription Rights."



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***No Board  
Recommendation***

Our Board of Directors is making no recommendation regarding your exercise of the subscription rights. You should carefully consider all relevant facts and circumstances in determining whether or not to exercise your subscription rights. See the section in this prospectus under the caption: "Risk Factors" for a discussion of some of the risks related to exercising your subscription rights and investing in our Common Stock.

***No Revocation***

Except in the event we make a fundamental change to the terms and conditions of our rights offering, your exercise of subscription rights will be irrevocable, even if you later change your mind about exercising your subscription rights. The irrevocability of your exercise will apply even if new information comes to your attention or if the market price of our Common Stock falls below the subscription price of \$[\_\_\_] per whole share. Your exercise of the rights will also remain irrevocable if the authorized period for the rights offering is extended by our Board of Directors. You should not exercise your subscription rights unless you are certain that you wish to purchase shares of our Common Stock at the subscription price of \$[\_\_\_] per whole share.

***Extension***

We reserve the right to extend the rights offering period for a period not to exceed 30 calendar days. If we decide to extend the rights offering period, we will issue a press release announcing the extension in advance of the expiration of the rights offering period. We may also extend the duration of the rights offering period if applicable law or regulations require us to do so. Our Board of Directors has broad discretion regarding any and all determinations whether or not to extend the rights offering period. See the section in this prospectus under the caption: "The Rights Offering—Expiration Date, Extension, and Amendments."

***Cancellation***

Our Board of Directors may at its sole discretion cancel the rights offering at any time before the expiration of the rights offering period. If we cancel the rights offering, we will issue a press release notifying all of our shareholders of the cancellation. If we cancel the rights offering, the Subscription Agent will promptly return all subscription payments, without interest or penalty, as soon as reasonably possible after the cancellation date. See the section in this prospectus under the caption: "The Rights Offering—Expiration Date, Extension, and Amendments."

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***Amendment*** Our Board of Directors reserves the right to amend or modify the terms of the rights offering. The amendments or modifications may be made for any reason. These changes may include, for example, changes to the subscription price or other matters that may induce greater participation by our shareholders in the rights offering. See the section in this prospectus under the caption: "The Rights Offering—Expiration Date, Extension, and Amendments."

***Fundamental Changes*** If we make any fundamental change to the terms of the rights offering after the date of effectiveness of this prospectus, we will file a post-effective amendment to the registration statement in which this prospectus is included and offer subscribers the opportunity to cancel their subscriptions. In such event, if you have subscribed to purchase shares in the rights offering and request a refund, we will issue the refund to you and recirculate an amended prospectus after the post-effective amendment is declared effective with the SEC. If we extend the expiration date of the rights offering period in connection with any post-effective amendment, we will allow holders of rights a reasonable period of additional time to make new investment decisions on the basis of the new information set forth in the amended prospectus that will form a part of the post-effective amendment registration statement. In such event, we will issue a press release announcing the changes to the rights offering and the new expiration date. See the section in this prospectus under the caption: "The Rights Offering—Expiration Date, Extension, and Amendments."

***Procedures for Exercising Rights*** To exercise your subscription rights, you must complete the subscription rights certificate and deliver the certificate to the Subscription Agent before the expiration of the offering period. Your subscription must include full payment for the exercise of all of your basic subscription rights and all over-subscription rights that you wish to exercise. For details regarding the procedure and requirements for exercising your subscription rights, see the section in this prospectus under the caption: "The Rights Offering—Method of Exercising Subscription Rights"

You may deliver the subscription documents and payments by mail or overnight commercial carrier. If regular mail is used for this purpose, we recommend that you use registered mail, properly insured, with return receipt requested.

***Brokerage Account Shareholders*** If you are a beneficial owner of shares that are registered in the name of a broker, dealer, bank or other nominee, and you wish to participate in the rights offering, you should immediately instruct your broker, dealer, bank or other nominee to exercise your subscription rights on your behalf and deliver all required documents and payment before the expiration of the rights offering period.

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<b><i>Guaranteed Delivery Procedures</i></b>	If you are not able to deliver your rights certificate to the Subscription Agent before the expiration of the rights offering period, you may follow the procedures that we describe in the section of this prospectus under the caption: "The Rights Offering—Guaranteed Delivery Procedures."
<b><i>Minimum Subscription Requirement</i></b>	You may exercise your rights in the full amount of your allocation or in any partial amount that you determine. We have not set any minimum subscription amount.
<b><i>No Obligation to Participate in the Rights Offering</i></b>	You are under no obligation to exercise your rights to subscribe for any shares in the rights offering. If you choose not to participate in the rights offering, you do not have to take any special action to decline to participate.
<b><i>Shares of Common Stock Outstanding as of the Record Date</i></b>	[_____] outstanding as of the record date.
<b><i>Shares of Common Stock Outstanding After Completion of the Rights Offering</i></b>	If our rights offering is fully subscribed, we expect to issue approximately [_____] shares of Common Stock.  If our rights offering is fully subscribed, we would have approximately [_____] shares of Common Stock issued and outstanding at the closing of the rights offering.
<b><i>Delivery of Shares</i></b>	Any shares you elect to purchase in the rights offering will be delivered to you or your broker as soon as reasonably possible following the closing of the rights offering.
<b><i>Market for Common Stock</i></b>	The Company's Common Stock is listed and trades on Nasdaq Capital Market under the symbol "CLRO."
<b><i>U.S. Federal Income Tax Considerations</i></b>	For U.S. federal income tax purposes, you generally should not recognize income or loss in connection with the receipt or exercise of subscription rights unless the rights offering is part of a "disproportionate distribution" within the meaning of applicable tax law, in which case you may recognize taxable income upon receipt of the subscription rights. We believe that the rights offering should not be part of a disproportionate distribution. The disproportionate distribution rules are complicated, however, and their application is uncertain. This position is not binding on the U.S. Internal Revenue Service ("IRS") or the courts, and accordingly, it is possible that the IRS could challenge this position. You may be required to allocate a portion of your tax basis in your Common Stock to the subscription rights we distribute to you in the offering, depending on the value of the subscription rights. For further information, see the section entitled "Material U.S. Federal Income Tax Consequences." You are urged to consult your own tax advisor as to your particular tax consequences resulting from the receipt and the disposition or exercise of subscription rights and the receipt, ownership and disposition of Common Stock.



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<b><i>Subscription Agent</i></b>	Broadridge will act as our subscription agent in connection with the rights offering. You may contact Broadridge directly with any questions or comments toll-free at (855) 793-5068.
<b><i>Foreign Holders of Registered Common Stock Certificates</i></b>	<p>The Subscription Agent will not mail rights certificates to you if your address is outside the United States or if you have an Army Post Office or a Fleet Post Office address.</p> <p>Foreign shareholders will receive written notice of the rights offering. The Subscription Agent will hold the rights to which those subscription certificates pertain for those shareholders' accounts until instructions are received to exercise the rights, subject to applicable law.</p>
<b><i>Risk Factors</i></b>	<p>If you are considering making an investment by exercising subscription rights in the rights offering, you should carefully read the risks and other information set forth in this prospectus in the section under the caption: "Risk Factors" beginning on page 14 of this prospectus. You should also carefully review the documents incorporated by reference into this prospectus, and the risks that we discuss in other sections of this prospectus.</p>
<b><i>Questions</i></b>	<p>We answer some of the common questions that we anticipate shareholders may ask about the rights offering in the section below. See the section in this prospectus under the caption: "Questions and Answers About the Rights Offering."</p>
<b><i>Escrow of Funds</i></b>	<p>The Subscription Agent will hold in escrow the funds we receive from subscribers until we complete or cancel the rights offering. If you are the record holder of your shares and you wish to participate in the rights offering, you must submit all of your subscription documents to the Subscription Agent in a timely manner and assure receipt of payment by the Subscription Agent prior to the expiration of the rights offering.</p>

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**QUESTIONS AND ANSWERS ABOUT THE RIGHTS OFFERING**

*The following are examples of common questions that we expect to receive from shareholders and their representatives regarding our rights offering. The following questions and answers are inherently limited in scope and do not contain all of the information that may be important to you and may not address all of the questions that you may have about the rights offering. This prospectus and the documents that we incorporate by reference herein contain many details regarding the terms and conditions of our rights offering and provide additional information about us and our business, including potential risks related to subscribing for shares in our rights offering, the shares of our Common Stock and our business.*

**What is the rights offering?**

The rights offering is our distribution to holders of our outstanding Common Stock of non-transferable subscription rights to purchase additional shares of our Common Stock. The number of basic subscription rights that we offer to each shareholder is proportional to their pre-offering equity ownership percentage interest in our Company. The price for exercise of the rights and subscription for the purchase of shares of our Common Stock is \$[ ] per whole share. The subscription price was determined by the Board of Directors based on its analysis of current market conditions, including the company's stock price performance in 2018 and general market conditions, with the subscription price representing a [ ]% discount to the most recent reported closing price of the company's common stock as reported on the NASDAQ Capital Market on \_\_\_\_\_, 2018. The rights offering will enable our shareholders to maintain or possibly increase their current equity interest ownership percentage in our Company. There is no charge to shareholders related to the distribution of the subscription rights. All references in this prospectus to the rights offering subscription price of \$[ ] per share refer to the price per whole share.

**Why are we conducting the rights offering?**

We are conducting the rights offering to raise additional capital for general corporate purposes. See the section of this prospectus under the caption: "Use of Proceeds."

**Who may participate in our rights offering?**

Only shareholders of our Company as of 5:00 pm on the record date of [ ], 2018, may participate in the rights offering.

**How many rights will I receive?**

On the record date, we will grant you one (1) subscription right for each one (1) share of our Common Stock that you own at the close of business on the record date. Each subscription right will entitle you to purchase [\_\_] shares of our Common Stock at a subscription price of \$[\_\_\_] per whole share. The Company will allocate to you, by reference to your percentage ownership of the Company on the record date, a proportionate number of the rights offered.

**Will fractional shares of Common Stock be issued upon exercise of the subscription rights?**

No. We will not issue fractional shares of Common Stock. If you exercise your subscription rights in a manner that would result in the issuance of fractions of a share, the number of shares that you may purchase will be rounded down to the nearest share.

**What if I own my stock through a brokerage account or similar nominee account?**

If you hold your shares in the name of a broker, dealer, bank or other nominee and you wish to participate in the rights offering and purchase shares of our Common Stock, please contact your broker, dealer, bank or other nominee as soon as possible. You should complete and return to your nominee the form captioned: "Beneficial Owner Election Form." You should receive the form from your broker, dealer, bank or other nominee with the other rights offering materials. We assume no responsibility in respect of the timely administration of your broker, dealer, bank or other nominee to perform its obligations on your behalf.

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**What is the basic subscription right?**

The basic subscription right provides you with the right to purchase [\_\_\_] shares of our Common Stock at a subscription price of \$[\_\_\_] per one whole share. At your own choosing, you may exercise some or all of your basic subscription rights. You may also elect not to exercise any subscription rights at all.

**What is the over-subscription right?**

If all shareholders do not exercise their basic subscription rights, the shares underlying those rights will become available for over-subscription by other shareholders. The over-subscription right is only available to shareholders who exercise their basic subscription rights in full. The over-subscription right to purchase shares will be made available, at the same subscription price of \$[\_\_\_] per share, up to the remaining number of unexercised basic subscription rights, if any. If you exercise your basic subscription rights in full and other shareholders do not fully exercise their basic subscription rights, you may also exercise an over-subscription right to purchase the same number of shares of Common Stock that you may acquire pursuant to the exercise of your basic subscription right, at the same subscription price of \$[\_\_\_] per whole share, some or all of the unsubscribed shares of Common Stock that remain available at the expiration of the rights offering.

If the number of unsubscribed shares of Common Stock are not sufficient to satisfy the exercise of all over-subscriptions, the over-subscription rights will be subject to pro rata allocation of available shares among shareholders exercising their over-subscription rights.

If you wish to exercise your over-subscription rights, you must deliver the subscription payment for the exercise of your over-subscription right either together with the exercise of your basic subscription right or at the latest prior to the expiration of the rights offering.

We will not know the total number of unsubscribed shares before the expiration of the rights offering. Therefore, if you desire to exercise your over-subscription rights, you will need to deliver the sufficient payment covering your exercise of all basic subscription rights and all over-subscription rights prior to the expiration of the offering period. In the event you submit any payments for over-subscriptions that we cannot satisfy, the Subscription Agent will return to you any excess payments without interest or penalty as soon as reasonably possible after the expiration of the rights offering. See the section in this prospectus under the caption: "The Rights Offering—The Subscription Rights—Over-Subscription Right."



**How was the subscription price determined?**

The subscription price was determined by the Board of Directors and represents a [\_\_]% discount to the most recent reported closing price of the company's common stock as reported on the NASDAQ Capital Market on \_\_\_\_\_, 2018. In making its determination, the Board considered many factors, including the historical and current trading prices of our Common Stock, as well as current trends and conditions in capital markets. The subscription price was not determined on the basis of any investment bank or third-party valuation that was commissioned by the Company. The Board of Directors reserves the right, exercisable in its sole discretion, to change the subscription price of the rights offering or determine to cancel or otherwise alter the terms of the rights offering. See the section in this prospectus under the caption: "The Rights Offering—Expiration Date, Extension, and Amendments."

**May I transfer my subscription rights?**

Neither the basic subscription rights nor the over-subscription rights are transferable by you. You may not sell, give away or otherwise transfer your subscription rights. However, subscription rights may be assigned to family members or family trusts. The basic subscription rights and the over-subscription rights are also subject to transfer by operation of law (such as testate or intestate succession). The sale of any of your shares of Common Stock prior to the expiration of the rights offering period will not result in the transfer of any subscription rights.

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**Are there any limitations on the number of my subscription rights that I may exercise?**

There are no restrictions on the number of your subscription rights that you may exercise.

**When can I exercise my subscription rights?**

You may exercise your subscription rights at any time commencing on the effective date of this prospectus and ending at the expiration time and date of the rights offering period, at 5:00 p.m. Eastern Standard Time on [\_\_\_\_], 2018, which is [\_\_] calendar days after the effective date of this prospectus. If you elect to exercise any rights, the Subscription Agent must receive all documents from you completely and properly completed, and your payment must fully clear, before the expiration of the offering period.

If your subscription exercise documentation is received by the Subscription Agent after the expiration of the rights offering period, at 5:00 p.m. Eastern Standard Time on [\_\_\_\_], 2018, which is [\_\_] calendar days after the effective date of this prospectus, we may, in our sole discretion, make an accommodation to accept your subscription, but we shall not be under any obligation to do so.

See the section in this prospectus under the caption: "The Rights Offering" for further information regarding the requirements and procedures for exercising your subscription rights.

If you hold your shares through a broker, dealer, bank, or other nominee, your broker, dealer, bank or other nominee holder may impose separate deadlines prior to the expiration of the rights offering. In such case, if you wish to participate in the rights offering, we urge you to contact your broker, dealer, bank, or other nominee and coordinate all procedures with them as soon as reasonably possible.

**How do I exercise my subscription rights?**

If you wish to participate in the rights offering, you must deliver to the Subscription Agent before the expiration of the rights offering, all of the following which the Subscription Agent must receive (and funds must clear) prior to 5:00 p.m., Eastern Standard Time, on [\_\_\_\_], 2018, which is [\_\_] calendar days after the effective date of this prospectus:

1. Your payment for exercise of the basic subscription rights and exercise of any over-subscription rights. See the section in this prospectus under the caption: "The Rights Offering—Method of Exercising Subscription Rights" and "The Rights Offering—Form of Payment."
2. Your complete and fully executed subscription rights certificate.

If you cannot deliver your subscription rights certificate to the Subscription Agent before the expiration of the rights offering, you may use the procedures for guaranteed delivery as described in this prospectus in the section under the caption: "The Rights Offering—Guaranteed Delivery Procedures."

If you hold your shares through your broker, dealer, bank or other nominee, complete and return to such broker, dealer, bank or other nominee the form captioned: "Beneficial Owner Election Form" or use the forms provided to you by your broker, dealer, bank or other nominee in accordance with their stated procedures and prior to their stated deadlines.

**Where do I deliver my forms and the payment for exercise of the rights?**

If your shares are held in the name of a broker, dealer, bank or other nominee, then you must coordinate with your broker, dealer, bank or other nominee regarding delivery of your subscription documents, rights certificate, notice of guaranteed delivery (if applicable) and your subscription payment.

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If you are a shareholder of record and you wish to exercise your rights, then you must send your subscription documents, rights certificate, notices of guaranteed delivery (if applicable) and subscription payment to the Subscription Agent at the following address:

***By Mail:***

Broadridge Corporate Issuer Solutions, Inc.

Attn: BCIS Re-Organization Dept.

P.O. Box 1317

Brentwood, NY 11717-0693

***By Hand Delivery or Overnight Courier Excluding U.S. Postal Service:***

Broadridge Corporate Issuer Solutions, Inc.

Attn: BCIS IWS

51 Mercedes Way

Edgewood, NY 11717

Phone: 855-793-5068

All deliveries to the Subscription Agent should only be made by registered first class mail or overnight courier service. Please allow adequate time for delivery of your subscription to the Subscription Agent by you or by your broker, dealer, custodian bank or other nominee, as applicable.

We do not take any responsibility for completion of your subscription documents, subscription rights certificate and payment to the Subscription Agent or, if you are not a record holder to your broker, dealer, custodian bank or other nominee. If you wish to exercise your rights, please assure that you properly complete all documents and that you provide responses to all requested information. If you have any questions or comments regarding completion of the materials, please contact the Subscription Agent.

If the payment you remit does not cover the total purchase price for the number of shares of Common Stock for which you are subscribing, or if the number of shares of Common Stock for which you are subscribing is not properly specified, then the funds will be applied to the exercise of subscription rights only to the extent of the payment actually received by the Subscription Agent.

**After I deliver my payment and rights certificate, may I cancel my exercise of subscription rights?**