AMERICAN SUPERCONDUCTOR CORP /DE/
Form 424B5
November 07, 2014
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Pursuant to Rule 424(b)(5)
Registration No. 333-198851

The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. A registration statement relating to these securities has been declared effective by the Securities and Exchange Commission. This prospectus supplement and accompanying prospectus are not an offer to sell these securities, and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 7, 2014

PROSPECTUS SUPPLEMENT

(To Prospectus dated October 1, 2014)

Common Stock Units

Each Consisting of

One Share of Common Stock

And

of a Warrant

(Shares of Common Stock Underlying the Warrants)

We are offering units at a price of $ per unit, with each unit consisting of one share of common stock and of a warrant. Units will not be issued or certificated. The shares of common stock and warrants are immediately separable and will be issued separately. Each whole warrant will entitle the holder to purchase one share of our common stock. The shares of common stock, warrants and shares of common stock underlying the warrants are sometimes collectively referred to herein as the securities. The warrants will be immediately exercisable from the date of issuance and will terminate on the fifth anniversary of the date the warrants are issued. The shares of our common stock issuable from time to time upon exercise of the warrants are also being offered pursuant to this prospectus supplement and accompanying prospectus.

Our common stock is listed on The NASDAQ Global Select Market under the symbol AMSC. On November 6, 2014, the last reported sales price of our common stock was $1.36 per share. There is no established public trading market for the warrants and a public market may never develop. In addition, we do not intend to apply for listing of the warrants on any national securities exchange or other nationally recognized trading system.

Investing in the securities involves a high degree of risk. Please read the information contained in and incorporated by reference under the heading Risk Factors beginning on page S-4 of this prospectus supplement, and under similar headings in the other documents that are filed after the date hereof and incorporated by reference into this prospectus supplement.

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

	PER UNIT	***TOTAL***
Offering price	**$**	**$**
Underwriting discounts and commissions(1)	**$**	**$**
Proceeds, before expenses, to us	**$**	**$**

(1) See Underwriting beginning on page S-15 for more information about fees payable to the underwriters.
Delivery of the securities offered hereby is expected to be made on or about November , 2014.

Sole Book-Running Manager

Cowen and Company

Co-Manager

MLV & Co.

The date of this prospectus supplement is November , 2014.

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, including the documents incorporated by reference, which describes the specific terms of this offering. The second part, the accompanying prospectus, including the documents incorporated by reference, provides more general information. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. Before you invest, you should carefully read this prospectus supplement, the accompanying prospectus, all information incorporated by reference herein and therein, as well as the additional information described under Where You Can Find More Information; Incorporation by Reference on page S-19 of this prospectus supplement. These documents contain information you should consider when making your investment decision. This prospectus supplement may add, update or change information contained in the accompanying prospectus. To the extent that any statement that we make in this prospectus supplement is inconsistent with statements made in the accompanying prospectus or any documents incorporated by reference, the statements made in this prospectus supplement will be deemed to modify or supersede those made in the accompanying prospectus and such documents incorporated by reference.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and in any free writing prospectuses we may provide to you in connection with this offering. Neither we nor any of the underwriters have authorized any other person to provide you with any information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, shares of our securities only in jurisdictions where offers and sales are permitted. The distribution of this prospectus supplement and the offering of the securities in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement must inform themselves about, and observe any restrictions relating to, the offering of the securities and the distribution of this prospectus supplement outside the United States. This prospectus supplement does not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any securities offered by this prospectus supplement by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

Unless otherwise indicated, information contained in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference, concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunity and market share, is based on information from our own management estimates and research, as well as from industry and general publications and research, surveys and studies conducted by third parties. Management estimates are derived from publicly available information, our knowledge of our industry and assumptions based on such information and knowledge, which we believe to be reasonable. In addition, assumptions and estimates of our and our industry s future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in Risk Factors in this prospectus supplement, the accompanying prospectus and in our Annual Report on Form 10-K for the fiscal year ended March 31, 2014 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, which are incorporated by reference into this prospectus supplement. These and other important factors could cause our future performance to differ materially from our assumptions and estimates. See Special Note Regarding Forward-Looking Statements.

American Superconductor Corporation and our logo are two of our trademarks that are used in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference. This prospectus supplement, the accompanying prospectus and the documents incorporated by reference also include trademarks, tradenames and service marks that are the property of other

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organizations. Solely for convenience, trademarks and tradenames referred to in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference appear without the ® and symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or that the applicable owner will not assert its rights, to these trademarks and tradenames.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information about us, this offering and information appearing elsewhere in this prospectus supplement, in the accompanying prospectus and in the documents we incorporate by reference. This summary is not complete and does not contain all the information you should consider before investing in our securities pursuant to this prospectus supplement and the accompanying prospectus. Before making an investment decision, to fully understand this offering and its consequences to you, you should carefully read this entire prospectus supplement and the accompanying prospectus, including Risk Factors beginning on page S-4 of this prospectus supplement, the financial statements and related notes, and the other information that we incorporate by reference into this prospectus supplement, including the section Risk Factors in our Annual Report on Form 10-K for the fiscal year ended March 31, 2014 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2014.

American Superconductor Corporation

Our Company

AMSC is a leading provider of megawatt-scale solutions that are designed to lower the cost of wind power and enhance the performance of the power grid. In the wind power market, we enable manufacturers to field highly competitive wind turbines through our advanced power electronics products, engineering, and support services. In the power grid market, we enable electric utilities and renewable energy project developers to connect, transmit and distribute power through our transmission planning services and power electronics and superconductor-based products. Our wind and power grid products and services provide reliability, security, efficiency and affordability to our customers.

Corporate Information

American Superconductor Corporation was incorporated in Delaware in 1987. Our principal executive offices are located at 64 Jackson Road, Devens, Massachusetts 01434, and our telephone number is (978) 842-3000.

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THE OFFERING

Units offered by us	units, each consisting of one share of common stock and of a warrant.
Common stock to be outstanding immediately after this offering assuming the sale of all shares in this offering[(1)]	shares, based upon 85,668,804 shares of common stock outstanding as of September 30, 2014
Price per unit	$
The warrants	Warrants to purchase up to shares of common stock will be offered in this offering.
	The exercise price of the warrants is $ per share of common stock, subject to adjustment.
	The warrants will be exercisable immediately from the date of original issuance and ending five years from date of issuance.
	There is no established public trading market for the warrants, and a market may never develop. In addition, we do not intend to apply for listing of the warrants on any national securities exchange or other nationally recognized trading system.
Use of proceeds	We intend to use the net proceeds of this offering for general corporate purposes, including working capital. Please see Use of Proceeds.
Risk factors	See Risk Factors in this prospectus supplement and in the documents incorporated by reference into this prospectus supplement, for a discussion of factors that you should read and consider before investing in our securities.
NASDAQ Global Select Market symbol	AMSC

Transfer Agent and Warrant Agent	American Stock Transfer & Trust Company, LLC

(1) The number of shares of our common stock to be outstanding immediately after this offering as shown above is based on 85,668,804 shares outstanding as of September 30, 2014 (including 3,409,412 shares of restricted common stock that were subject to vesting restrictions as of such date and were not considered outstanding for accounting purposes) and excludes as of September 30, 2014:

- 3,862,681 shares of common stock issuable upon the exercise of outstanding options, having a weighted average exercise price of $8.47 per share;

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- 3,489,746 shares of common stock issuable upon the exercise of outstanding warrants, having a weighted average exercise price of $2.48 per share;
- the shares of common stock issuable upon exercise of the warrants offered hereby;
- 108,000 shares of common stock subject to unvested restricted stock units; and
- 6,307,409 shares of common stock reserved for future issuance under our 2007 Stock Incentive Plan, as amended, or the 2007 Stock Plan, our 2007 Director Stock Plan, as amended, or the 2007 Director Plan, and our 2000 Employee Stock Purchase Plan, as amended, or the ESPP.

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RISK FACTORS

Investing in our securities involves a high degree of risk. Before investing in our securities, you should consider carefully the risks described below, together with the other information contained in this prospectus supplement, the accompanying prospectus or incorporated by reference herein or therein, including the risks and uncertainties discussed under Risk Factors in our Annual Report on Form 10-K for the fiscal year ended March 31, 2014 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, which are incorporated by reference into this prospectus supplement. If any of the risks incorporated by reference or set forth below occur, our business, financial condition, results of operations and future growth prospects could be materially and adversely affected. In these circumstances, the market price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to this Offering

Purchasers in this offering will experience immediate and substantial dilution in the book value of their investment.

The offering price of our common stock is substantially higher than the net tangible book value per share of our common stock before giving effect to this offering. Accordingly, if you purchase our common stock in this offering, you will incur immediate substantial dilution of approximately $ per share, representing the difference between the offering price of $ per share, and our as adjusted net tangible book value as of September 30, 2014, without giving effect to the potential exercise of the warrants offered by this prospectus supplement. Furthermore, if outstanding stock options and warrants are exercised, you could experience further dilution. For a further description of the dilution that you will experience immediately after this offering, see the section in this prospectus supplement entitled Dilution.

A substantial number of shares of common stock may be sold in the market following this offering, which may depress the market price for our common stock.

Sales of a substantial number of shares of our common stock in the public market following this offering could cause the market price of our common stock to decline. A substantial majority of the outstanding shares of our common stock are, and the shares of common stock included in the units, or issuable upon exercise of the warrants included in the units, sold in this offering upon issuance will be, freely tradable without restriction or further registration under the Securities Act of 1933, as amended, or the Securities Act.

We have broad discretion to determine how to use the funds raised in this offering, and may use them in ways that may not enhance our operating results or the price of our common stock.

Our management will have broad discretion over the use of proceeds from this offering, and we could spend the proceeds from this offering in ways our stockholders may not agree with or that do not yield a favorable return, if at all. We intend to use the net proceeds of this offering for general corporate purposes, including working capital. However, our use of these proceeds may differ substantially from our current plans. If we do not invest or apply the proceeds of this offering in ways that improve our operating results, we may fail to achieve expected financial results, which could cause our stock price to decline.

You may experience future dilution as a result of future equity offerings.

In order to raise additional capital, we may in the future offer additional shares of our common stock or other securities convertible into or exchangeable for our common stock at prices that may not be the same as the price per share in this offering. We may sell shares or other securities in any other

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offering at a price per share that is less than the price per share paid by investors in this offering, and investors purchasing shares or other securities in the future could have rights superior to existing stockholders. The price per share at which we sell additional shares of our common stock, or securities convertible or exchangeable into common stock, in future transactions may be higher or lower than the price per share paid by investors in this offering. As of September 30, 2014, 6,307,409 shares of common stock were reserved for future issuance under our equity incentive plans and the ESPP, and 108,000 shares of common stock were subject to outstanding restricted stock units. As of that date, there were also options outstanding to purchase 3,862,681 shares of our common stock and warrants outstanding to purchase 3,489,746 shares of our common stock (not including the warrants offered by this prospectus supplement). You will incur additional dilution upon the grant of any shares under our equity incentive plans or the ESPP, upon vesting of any outstanding restricted stock units, or upon exercise of any outstanding or subsequently issued stock options or warrants. In connection with this offering, we and each of our directors and executive officers have entered into lock-up agreements with the underwriters. As a result of these lock-up agreements, approximately 3,716,434 shares (including stock issuable upon exercise of options) are subject to a contractual restriction on resale through the date that is 90 days after the date of this prospectus supplement. The market price for shares of our common stock may decline if stockholders subject to the lock-up agreements sell a substantial number of shares when the restrictions on resale lapse, or if the underwriters waive the lock-up agreements and allow the stockholders to sell some or all of their shares.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus, the documents we have filed with the SEC that are incorporated by reference and any free writing prospectus that we have authorized for use in connection with this offering contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements relate to future events or to our future operating or financial performance and involve known and unknown risks, uncertainties and other important factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Forward-looking statements may include, but are not limited to, statements about:

- our business strategy and our expectations with respect to the implementation of our business strategy;
- our ability to realize all of the sales expected from our backlog of orders and contracts;
- our expectations with respect to annual congressional appropriations, government subsidies and economic incentives;
- our ability to market and sell our superconductor products and system-level solutions;
- our ability to comply with the covenants of our debt obligations;
- our ability to adequately prevent disclosure of trade secrets and other proprietary information;
- our expectations with respect to our intellectual property position;
- the potential for the commercial uses of our superconductor products;
- our ability to address technological challenges and to manufacture our products in commercial quantities at acceptable cost and quality levels;
- our expectations with respect to ongoing litigation;
- our estimates regarding our capital requirements and our need for additional funding; and
- the use of proceeds from this offering.

In some cases, you can identify forward-looking statements by terms such as may, will, should, could, would, plans, anticipates, believes, estimates, projects, predicts, potential and similar expressions intended to iden forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. We discuss many of these risks in greater detail under the heading Risk Factors on page S-4 of this prospectus supplement and in our SEC filings. Also, these forward-looking statements represent our estimates and assumptions only as of the date of the document containing the applicable statement.

You should read this prospectus supplement, the accompanying prospectus, the documents we have filed with the SEC that are incorporated by reference and any free writing prospectus that we have authorized for use in connection with this offering completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of the forward-looking statements in the foregoing documents by these cautionary statements.

You should rely only on the information contained, or incorporated by reference, in this prospectus supplement, the accompanying prospectus and any free writing prospectus that we have authorized for use in connection with this offering. We and the underwriters for this offering have not authorized anyone to provide you with different information. The units offered under this prospectus supplement and the accompanying prospectus are not being offered in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement or the accompanying prospectus, as applicable, or that any information incorporated by

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reference into this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of the document so incorporated by reference. Unless required by law, we undertake no obligation to update or revise any forward-looking statements to reflect new information or future events or developments. Thus, you should not assume that our silence over time means that actual events are bearing out as expressed or implied in such forward-looking statements.

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USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of units that we are offering will be approximately $ million, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds from this offering for general corporate purposes, including working capital. Pending application of the net proceeds as described above, we intend to temporarily invest the proceeds in short term, interest-bearing instruments.

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PRICE RANGE OF COMMON STOCK

Our common stock has been publicly traded on The NASDAQ Global Market under the symbol AMSC . The following table sets forth, for the periods indicated, the high and low intraday sale prices of our common stock as reported by The NASDAQ Global Market.

	High	Low
Fiscal year ended March 31, 2015		
Third Quarter (through November 6, 2014)	$ 1.43	$ 1.15
Second Quarter	$ 2.15	$ 1.40
First Quarter	$ 1.69	$ 1.25
Fiscal year ended March 31, 2014		
Fourth Quarter	$ 2.68	$ 1.43
Third Quarter	$ 2.42	$ 1.37
Second Quarter	$ 3.06	$ 2.28
First Quarter	$ 3.06	$ 2.12
Fiscal year ended March 31, 2013		
Fourth Quarter	$ 3.34	$ 2.57
Third Quarter	$ 4.18	$ 2.40
Second Quarter	$ 4.96	$ 3.53
First Quarter	$ 4.88	$ 3.47

On November 6, 2014, the last reported sale price of our common stock on The NASDAQ Global Market was $1.36. As of September 30, 2014, there were 85,668,804 shares of our common stock outstanding held by approximately 389 holders of record, which includes 3,409,412 shares of restricted common stock that were subject to vesting restrictions as of such date and were not considered outstanding for accounting purposes.

DIVIDEND POLICY

We have never paid cash dividends on our common stock. We currently intend to retain earnings, if any, to fund the development and growth of our business and do not anticipate paying cash dividends for the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs and plans for expansion. The terms of our loans with Hercules Technology Growth Capital, Inc. which are discussed in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the fiscal year ended March 31, 2014, prohibit us from paying cash dividends.

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DILUTION

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

As of September 30, 2014, we had a net tangible book value of $79.6 million, or $0.93 per share of common stock. Our net tangible book value per share represents total tangible assets less total liabilities, divided by the number of shares of common stock outstanding at September 30, 2014.

After giving effect to the issuance and sale by us of units in this offering at an offering price of $ per share, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our as adjusted net tangible book value as of September 30, 2014 would have been approximately $ million, or approximately $ per share. This amount represents an immediate increase in net tangible book value of $ per share to our existing stockholders and an immediate dilution in net tangible book value of approximately $ per share to new investors purchasing shares of common stock in this offering.

The following table illustrates this dilution on a per share basis:

Offering price per share		$
Net tangible book value per share as of September 30, 2014	$ 0.93	
Increase in net tangible book value per share attributable to this offering		
As adjusted net tangible book value per share after this offering		
Dilution per share to new investors participating in this offering		$

The above discussion and table are based on 85,668,804 shares outstanding as of September 30, 2014, and exclude as of that date:

- 3,862,681 shares of common stock issuable upon the exercise of outstanding options, having a weighted average exercise price of $8.47 per share;
- 3,489,746 shares of common stock issuable upon the exercise of outstanding warrants, having a weighted average exercise price of $2.48 per share;
- the shares of common stock issuable upon exercise of the warrants offered hereby;
- 108,000 shares of common stock subject to unvested restricted stock units; and
- 6,307,409 shares of common stock reserved for future issuance under the 2007 Stock Plan, the 2007 Director Plan and the ESPP.

To the extent any of these outstanding options and warrants are issued or exercised, or the restricted stock units vest, there will be further dilution to new investors. In addition, we may choose to raise additional capital due to market conditions or strategic considerations, even if we believe that we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to new investors.

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DESCRIPTION OF WARRANTS

The material terms and provisions of the warrants being offered pursuant to this prospectus supplement are summarized below. This description is a summary only and does not purport to be complete. This description is qualified by reference to all of the provisions of the warrants, including the definitions of certain terms used therein. You may request a copy of the form of warrant from us at the address set forth under Where You Can Find More Information; Incorporation by Reference.

The purchaser of units will receive, for each unit purchased, one share of our common stock and of a warrant, with one whole warrant representing the right to purchase one share of common stock at an exercise price of $ per share of common stock. The warrants may be transferred independent of the common stock, subject to applicable laws. The warrants are exercisable at any time or times on or after their date of issuance (the exercisability date) but not after 5:00 p.m., New York time, on the expiration date (as defined below). The exercise price and number of shares of our common stock issuable upon exercise of a warrant held is subject to appropriate adjustment in the event of stock dividends, stock splits, reorganizations or similar events affecting our common stock and in the event of cash dividends or other distributions to all holders of our common stock.

In addition, the warrants contain weighted average anti-dilution protection upon the issuance of any common stock, securities convertible into common stock or certain other issuances at a price below the then-existing exercise price of the warrants, except for certain excluded securities (defined below). The terms of the warrants, including these anti-dilution protections, may make it difficult for us to raise additional capital at prevailing market terms in the future.

There is no established public trading market for the warrants, and a market may never develop. We do not intend to apply to list the warrants on any securities exchange. The warrants will initially be issued in book-entry form. Without an active market, the liquidity of the warrants will be limited. In addition, in the event our common stock price does not exceed the per share exercise price of the warrants during the period when the warrants are exercisable, the warrants will not have any value.

Holders of the warrants may exercise their warrants to purchase shares of our common stock on or before 5:00 p.m., New York time, on the expiration date by delivering an exercise notice, appropriately completed and duly signed, and payment of the exercise price for the number of shares for which the warrant is being exercised. In the event that the registration statement relating to the warrant shares is not available, a holder of warrants will have the right, in its sole discretion, to exercise its warrants for a net number of warrant shares pursuant to the cashless exercise procedures specified in the warrants or the related warrant agreement. Warrants may be exercised in whole or in part, and any portion of a warrant not exercised prior to the expiration date shall be and become void and of no value. The absence of an effective registration statement or applicable exemption from registration does not alleviate our obligation to deliver common stock issuable upon exercise of a warrant.

Our warrant agent with respect to the issuance, registration, transfer, exchange and exercise of the warrants shall initially be American Stock Transfer & Trust Company, LLC.

Upon the holder s valid exercise of a warrant and delivery of the applicable exercise price, we will issue the shares of common stock issuable upon exercise of the warrant within three business days (as defined below).

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The shares of common stock issuable on exercise of the warrants will be, when issued in accordance with the warrants, duly and validly authorized, issued and fully paid and non-assessable. We will authorize and reserve at least that number of shares of common stock equal to the number of shares of common stock issuable upon exercise of all outstanding warrants.

Notwithstanding the foregoing, we will not effect the exercise of a warrant, and the holder thereof will not have the right to exercise such warrant, to the extent that after giving effect to such exercise, the holder (together with the holder s affiliates) would beneficially own in excess of 4.99% (the maximum percentage) of the shares of our common stock outstanding immediately after giving effect to such exercise. For purposes of the foregoing sentence, the aggregate number of shares of common stock beneficially owned by a holder and its affiliates shall include the number of shares of common stock issuable upon exercise of the warrant with respect to which the determination of such sentence is being made, but shall exclude shares of common stock which would be issuable upon (i) exercise of the remaining, unexercised portion of the warrant beneficially owned by the holder and its affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of ours beneficially owned by the holder and its affiliates (including, without limitation, any convertible notes or convertible preferred stock or warrants) subject to a limitation on conversion or exercise analogous to the limitation contained herein. Except as set forth in the preceding sentence, for purposes of this paragraph, beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act. By written notice to the Company, the holder of a warrant may from time to time increase or decrease the maximum percentage applicable to such holder s warrant to any other percentage not in excess of 9.99% specified in such notice, provided that any such increase will not be effective until the sixty-first (61st) day after such notice is delivered to us.

If a fundamental transaction (as defined below) occurs as a result of which our common stock would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof) (any such fundamental transaction, a share exchange event ; any such stock, other securities or other property or assets, reference property ; and the amount of reference property that a holder of one share of common stock immediately prior to such share exchange event would have been entitled to receive upon the occurrence of such share exchange event, a reference property unit), then from and after the effective time of such share exchange event, upon exercise of a warrant, for each share of common stock that we would otherwise be obligated to deliver with respect to such exercise, we will instead deliver a reference property unit. If such share exchange event causes our common stock to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of stockholder election), then (i) the reference property shall be deemed to be (a) the weighted average of the types and amounts of consideration received by the holders of our common stock that affirmatively make such an election or (b) if no holders of our common stock affirmatively make such an election, the types and amounts of consideration actually received by the holders of our common stock, and (ii) a reference property unit shall refer to the consideration referred to in clause (i) attributable to one share of our common stock.

In addition, in the event of a fundamental transaction, at the request of a holder of a warrant delivered at any time commencing on the earliest to occur of (x) the public disclosure of any fundamental transaction, (y) the consummation of any fundamental transaction and (z) the holder first becoming aware of any fundamental transaction through the thirtieth (30th) day after the later of (x) the date of such fundamental transaction and (y) the date of the public disclosure of the consummation of such fundamental transaction by us pursuant to a Current Report on Form 8-K filed with the SEC, we (or the applicable successor entity) will purchase such warrant from the holder by paying to the holder, within five business days after such request, cash in an amount equal to the Black Scholes Value (as defined below) of the remaining unexercised portion of such warrant outstanding on the date of the consummation of such fundamental transaction.

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Amendments and waivers of the terms of the warrants require the written consent of the holder of the warrants, except that we may extend the expiration date or reduce the exercise price of a warrant without the consent of the holder of the warrant.

THE HOLDER OF A WARRANT WILL NOT POSSESS ANY RIGHTS AS A STOCKHOLDER UNDER THAT WARRANT UNTIL THE HOLDER EXERCISES THE WARRANT.

Definitions

The following terms have the meaning set forth below as used in this description:

Black Scholes value means the value of the unexercised portion of a warrant remaining on the date of the holder s request, which value is calculated using the Black Scholes Option Pricing Model obtained from the OV function on Bloomberg, L.P. utilizing (i) an underlying price per share equal to the greater of (1) the highest closing sale price of our common stock during the period beginning on the trading day immediately preceding the earliest to occur of (x) the public disclosure of the applicable fundamental transaction, (y) the consummation of the applicable fundamental transaction and (z) the date on which the holder first became aware of the applicable fundamental transaction and ending on the trading day of the holder s request and (2) the sum of the price per share being offered in cash in the applicable fundamental transaction (if any) plus the value of the non-cash consideration being offered in the applicable fundamental transaction (if any), (ii) a strike price equal to the exercise price in effect on the date of the holder s request, (iii) a zero cost of borrow, (iv) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the greater of (1) the remaining term of the warrant as of the date of the holder s request and (2) the remaining term of the warrant as of the date of consummation of the applicable fundamental transaction or as of the date of the holder s request if such request is prior to the date of the consummation of the applicable fundamental transaction and (v) an expected volatility equal to the greater of 100% and the 30-day volatility obtained from the HVT function on Bloomberg, L.P. (determined utilizing a 360 day annualization factor) as of the trading day immediately following the public disclosure of the applicable fundamental transaction. (or, solely to the extent such fundamental transaction is not disclosed to the public, the date of the consummation of the such fundamental transaction).

business day means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

excluded securities means any (i) shares of our common stock, options, stock appreciation rights, restricted shares of common stock, restricted stock units and other stock-based awards to our directors, officers, employees or consultants in their capacity as such pursuant to an approved stock plan; (ii) shares of our common stock issued upon the conversion or exercise of convertible securities (other than options to purchase our common stock issued pursuant to an approved stock plan that are covered by clause (i) above) issued prior to the date hereof; provided that the conversion price of any such convertible securities (other than options to purchase our common stock issued pursuant to an approved stock plan that are covered by clause (i) above) is not lowered, none of such convertible securities (other than options to purchase our common stock issued pursuant to an approved stock plan that are covered by clause (i) above) are amended to increase the number of shares issuable thereunder and none of the terms or conditions of any such convertible securities (other than options to purchase our common stock issued pursuant to an approved stock plan that are covered by clause (i) above) are otherwise materially changed in any manner that adversely affects holders of the warrants; and (iii) the shares of our common stock or options issued to financial institutions or lessors in connection with commercial credit arrangements, equipment financings or similar transactions (excluding any shares of our common stock issuable upon conversion or exercise of any convertible securities).

expiration date means the date that is the fifth (5th) anniversary of the exercisability date or, if such date falls on a day other than a business day or on which trading does not take place on the Nasdaq Global Select Market (a holiday), the next date that is not a holiday.

fundamental transaction means that (i) we shall, directly or indirectly, in one or more related transactions, (1) consolidate or merge with or into (whether or not we are the surviving corporation but except any merger solely to effect our migration to a new jurisdiction of incorporation) any other person, or (2) sell, lease, license, assign, transfer, convey or otherwise dispose of all or substantially all of our properties or assets to any other person, (3) consummate a stock or share purchase agreement or other business combination with any other person whereby such other person acquires more than 50% of the outstanding shares of our voting stock (not including any shares of our voting stock held by the other person or other persons making or party to, or associated or affiliated with the other persons making or party to, such stock or share purchase agreement or other business combination), or (4) reorganize, recapitalize or reclassify our common stock (except to effect our migration to a new jurisdiction of incorporation) or (ii) any person or group (as these terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act and the rules and the rules and regulations promulgated thereunder) is or shall become the beneficial owner (as defined in Rule 13d-3 under the Exchange), directly or indirectly, of 50% of the aggregate ordinary voting power represented by our issued and outstanding voting stock.

trading day means any day on which our common stock is traded on the Nasdaq Global Select Market, or, if the such market is not the principal trading market for our common stock, then on the principal securities exchange or securities market on which our common stock is then traded, provided that trading day shall not include any day on which our common stock is scheduled to trade on such exchange or market for less than 4.5 hours or any day that our common stock is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00 p.m., New York time).

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UNDERWRITING

We have entered into an underwriting agreement with Cowen and Company, LLC, acting as representative of the several underwriters, with respect to the securities in this offering. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters named below, and each underwriter severally has agreed to purchase, the respective number of units set forth opposite its name below:

Underwriter	**Number of Units**
Cowen and Company, LLC	
MLV & Co., LLC	
Total	

The underwriters are offering the units subject to their acceptance of the units from us and subject to prior sale. The underwriting agreement provides that the obligation of the underwriters to purchase the units offered hereby is subject to certain conditions and that the underwriters are obligated to purchase all of the units offered hereby if they purchase any of the units.

The underwriters initially propose to offer the units purchased pursuant to the underwriting agreement at the offering price on the cover page of this prospectus supplement. After the securities are released for sale, the underwriters may change the offering price and other selling terms at various times.

The underwriters will purchase the securities from us. The total price per unit to the public will be $, the total underwriters discounts and commissions will be $ per unit, and the total proceeds to us will be $.

The following table summarizes the compensation we will pay and proceeds, before expenses, to us:

	Per Unit	**Total**
Offering price		
Underwriting discounts and commissions		
Proceeds, before expenses, to us		

The expenses of this offering payable by us, not including underwriting discounts and commissions, are estimated to be approximately $400,000, which includes legal, accounting and printing costs.

Pursuant to the underwriting agreement, we have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the underwriters or such other indemnified parties may be required to make in respect of any such liabilities.

The underwriters propose to offer the securities at the offering price set forth on the cover of this prospectus supplement. If all of the securities are not sold at the offering price, the underwriters may change the offering price and other selling terms.

Discretionary Accounts. The underwriters do not intend to confirm sales of the shares to any accounts over which the underwriters have discretionary authority.

Stabilization. In connection with this offering, the underwriters may engage in stabilizing transactions, syndicate covering transactions, and purchases to cover positions created by short sales.

- Stabilizing transactions permit bids to purchase shares of common stock so long as the stabilizing bids do not exceed a specified maximum, and are engaged in for the purpose of preventing or retarding a decline in the market price of the common stock while the offering is in progress.
- Syndicate covering transactions involve purchases of common stock in the open market after the distribution has been completed in order to cover syndicate short positions. If the underwriters have a naked short position, the position would be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that after pricing there could be downward pressure on the price of the shares in the open market that could adversely affect investors who purchase in the offering.

These stabilizing transactions and syndicate covering transactions may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock in the open market may be higher than it would otherwise be in the absence of these transactions. Neither we nor the underwriters make any representation or prediction as to the effect that the transactions described above may have on the price of our common stock. These transactions may be effected on the The Nasdaq Global Select Market, in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time.

Passive Market Making. In connection with this offering, the underwriters may engage in passive market making transactions in our common stock on The Nasdaq Global Select Market in accordance with Rule 103 of Regulation M under the Exchange Act during a period before the commencement of offers or sales of common stock and extending through the completion of the distribution. A passive market maker must display its bid at a price not in excess of the highest independent bid of that security. However, if all independent bids are lowered below the passive market maker s bid, that bid must then be lowered when specified purchase limits are exceeded.

Lock-up Agreements. We and all of our directors and executive officers have agreed that, subject to certain exceptions, without the prior written consent of Cowen and Company, LLC, we and they will not, during the period ending 90 days, subject to an 18-day extension under certain circumstances, following the date of this prospectus supplement, offer, sell, assign, transfer, pledge, contract to sell, or otherwise dispose of or announce the intention to otherwise dispose of, or enter into any swap, hedge or similar agreement or arrangement that transfers, in whole or in part, the economic consequence of ownership of, directly or indirectly, or make any demand or request or exercise any right with respect to the registration of, or file with the SEC a registration statement under the Securities Act relating to, any common stock or securities convertible into or exchangeable or exercisable for any common stock.

This lock up provision applies to common stock and to securities convertible into or exchangeable or exercisable for common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition. The exceptions permit us, among other things and subject to restrictions, to: (a) issue common stock or options pursuant to director or employee stock option plan, stock ownership plan or dividend reinvestment plan, (b) issue common stock upon conversion of securities or the exercise of outstanding warrants, or (c) adopt a new equity incentive plan, file registration statements

on Form S-8 and issue securities pursuant to such new equity incentive plan. The exceptions permit parties to the lock up agreements, among other things and subject to restrictions, to: (a) make certain gifts, (b) enter into transactions relating to our common stock acquired in the open market, (c) enter into Rule 10b5-1 plans, (d) transfer securities pursuant to a domestic relations order or negotiated divorce settlement or otherwise by operation of law, (e) transfer common stock to satisfy tax withholding obligations pursuant to our equity incentive plans or arrangements or to pay the exercise price of any options under such plan or arrangement and (f) transfer common stock in connection with a bona fide third party tender offer, merger, consolidation or other similar transaction made to all common stockholders involving a change in control. In addition, the Lock-up agreement entered into by one individual director allows for the sale of up to 5,000 shares of common stock. In addition, the lock up provision will not restrict broker-dealers from engaging in market making and similar activities conducted in the ordinary course of their business.

Cowen and Company, LLC, in its sole discretion, may release our common stock and other securities subject to the lock-up agreements described above in whole or in part at any time.

United Kingdom. The underwriters have represented and agreed that:

- the underwriters have not made or will not make an offer of the securities to the public in the United Kingdom within the meaning of section 102B of the Financial Services and Markets Act 2000 (as amended) (FSMA) except to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances which do not require the publication by us of a prospectus pursuant to the Prospectus Rules of the Financial Services Authority (FSA);
- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which section 21 of FSMA does not apply to us; and
- it has complied with and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the securities in, from or otherwise involving the United Kingdom.

Singapore. This prospectus supplement and the accompanying prospectus have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement, the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the securities may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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Where the securities are subscribed or purchased under Section 275 by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments, and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferable within 6 months after that corporation or that trust has acquired the securities pursuant to an offer made under Section 275 except: (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; or (4) as specified in Section 276(7) of the SFA.

South Korea. The securities may not be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in South Korea or to any resident of South Korea except pursuant to the applicable laws and regulations of South Korea, including the Financial Investment Services and Capital Markets Act and the Foreign Exchange Transaction Law and the decrees and regulations thereunder. The securities have not been registered with the Financial Services Commission of South Korea for public offering in South Korea. Furthermore, the securities may not be re-sold to South Korean residents unless the purchaser of the shares complies with all applicable regulatory requirements (including but not limited to government approval requirements under the Foreign Exchange Transaction Law and its subordinate decrees and regulations) in connection with their purchase.

Switzerland. The securities will not be offered, directly or indirectly, to the public in Switzerland and this prospectus supplement does not constitute a public offering prospectus as that term is understood pursuant to article 652a or 1156 of the Swiss Federal Code of Obligations.

European Economic Area. In relation to each Member State of the European Economic Area (Iceland, Norway and Lichtenstein in addition to the member states of the European Union) that has implemented the Prospectus Directive (each, a Relevant Member State), the underwriters have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of the securities to the public in that Relevant Member State prior to the publication of a prospectus in relation to the securities that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the securities to the public in that Relevant Member State at any time:

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

n to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts; or

n

in any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

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Each person in a Relevant Member State who receives any communication in respect of, or who acquires any securities under, the offer contemplated in this prospectus will be deemed to have represented, warranted and agreed to and with us and each underwriter that:

n it is a qualified