

CPI AEROSTRUCTURES INC
Form 424B5
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Registration No. 333- 181056

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

Subject to completion, dated June 7, 2012

PROSPECTUS SUPPLEMENT

(To Prospectus dated May 11, 2012)

Shares

CPI Aerostructures, Inc.

Common Stock

We are offering shares of our common stock and the selling shareholders named herein are offering an additional shares of our common stock in this offering. Our common stock is traded on the NYSE MKT under the symbol "CVU." On June 6, 2012, the last reported sale price of our common stock was \$14.13 per share.

The offering is being underwritten on a firm commitment basis. We have granted the underwriters an option to buy up to an additional shares of common stock from it to cover over-allotments. The underwriters may exercise this option at any time and from time to time during the 30-day period from the date of this prospectus supplement.

No Exercise of Over-		Full Exercise of Over-	
Per Share	Total	Per Share	Total

Public offering price	\$	\$	\$	\$
Underwriting discounts and commissions(1)	\$	\$	\$	\$
Proceeds to us, before expenses	\$	\$	\$	\$
Proceeds to selling shareholders, before expenses	\$	\$	\$	\$

(1) In addition, we have agreed to reimburse the underwriters for certain expenses. See “Underwriting” on page S-15 of this prospectus supplement for additional information.

We will not receive any of the proceeds from the sale of shares by the selling shareholders. We will, however, receive the aggregate exercise price of \$ with respect to shares being offered by a selling shareholder that will be acquired by him upon the exercise of options in connection with the offering.

Investing in our securities involves a high degree of risk. See the section entitled “Risk Factors” appearing on page S-5 of this prospectus supplement and elsewhere in this prospectus supplement and the accompanying base prospectus for a discussion of information that should be considered in connection with an investment in our securities.

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 supplement. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to the purchasers on or about , 2012.

The date of this prospectus supplement is , 2012

Sole Book-Running Manager

Roth Capital Partners

Co-Managers

EarlyBirdCapital, Inc. Noble Financial Capital Markets

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information.

We are not making an offer of these securities in any state or jurisdiction where the offer is not permitted.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus are part of a registration statement on Form S-3 (Registration No. 333-181056) that we filed with the Securities and Exchange Commission (“SEC”) using a “shelf” registration process. Under this “shelf” registration process, we may, from time to time, sell or issue any of the combination of securities described in the accompanying prospectus in one or more offerings with a maximum aggregate offering price of up to \$20,000,000 and the selling shareholders may, from time to time, sell up to 817,617 shares of common stock. The accompanying prospectus provides you with a general description of us and the securities we may offer, some of which do not apply to this offering. Each time we sell securities, we provide a prospectus supplement that contains specific information about the terms of that offering. A prospectus supplement may also add, update or change information contained in the accompanying prospectus.

This prospectus supplement provides specific details regarding this offering of shares of common stock by us and by the selling shareholders, including the purchase price per share. To the extent there is a conflict between the information contained in this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. This prospectus supplement, the accompanying prospectus and the documents we incorporate by reference herein and therein include important information about us and our common stock, and other information you should know before investing. You should read both this prospectus supplement and the accompanying prospectus, together with the additional information described below under the heading “Where You Can Find More Information.”

You should not assume that the information appearing in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front cover of the respective documents. You should not assume that the information contained in the documents incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the respective dates of those documents. Our business, financial condition, results of operations, and prospects may have changed since that date.

References in this prospectus supplement to “CPI Aero®”, “we,” “us” and “our” refer to CPI Aerostructures, Inc., a New York corporation.

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PROSPECTUS SUPPLEMENT SUMMARY

CPI Aerostructures, Inc.

General

We are engaged in the contract production of structural aircraft parts principally for the U.S. Air Force and other branches of the U.S. armed forces, either as a prime contractor or as a subcontractor to other defense prime contractors. We also act as a subcontractor to prime aircraft manufacturers in the production of commercial aircraft parts. Our strategy for growth has been focused primarily as a subcontractor for defense prime contractors. Due to our success as a subcontractor to defense prime contractors we have pursued opportunities to increase our commercial subcontracting business.

We were incorporated under the laws of the State of New York in January 1980 under the name Composite Products International, Inc. We changed our name to Consortium of Precision Industries, Inc. in April 1989 and to CPI Aerostructures, Inc. in July 1992. In January 2005, we began doing business under the name CPI Aero®, a registered trademark of the Company. Our principal office is located at 91 Heartland Blvd., Edgewood, New York 11717 and our telephone number is (631) 586-5200.

We maintain a website at www.cpiaero.com. Information contained on our website or accessed through our website does not constitute a part of this prospectus.

Overview of Our Business

As a subcontractor to leading defense prime contractors such as Northrop Grumman Corporation (“NGC”), The Boeing Company (“Boeing”), Lockheed Martin Corporation (“Lockheed”), Sikorsky Aircraft Corporation (“Sikorsky”) and Bell Helicopter, we deliver various pods and modular and structural assemblies for military aircraft such as the E-2D “Hawkeye” surveillance aircraft, UH-60 “Black Hawk” helicopter, the A-10 “Thunderbolt” attack jet, the MH-60S mine counter measure helicopter and the C-5A “Galaxy” cargo jet. Seventy seven percent (77%), 73% and 43% of our revenue in 2011, 2010 and 2009, respectively, was generated by subcontracts with defense prime contractors.

We also operate as a subcontractor to prime contractors, including Sikorsky and Spirit AeroSystems, Inc. (“Spirit”), in the production of commercial aircraft parts. For Spirit we deliver leading edges for the G650 executive jet. For

Sikorsky, we deliver various kits and assemblies for the S-92 civilian helicopter. Fourteen percent (14%), 17% and 29% of our revenue in 2011, 2010 and 2009, respectively, was generated by commercial contract sales.

Additionally, we perform as a prime contractor supplying structural aircraft parts to the U.S. Government. In this role, we have delivered skin panels, leading edges, flight control surfaces, engine components, wing tips, cowl doors, nacelle assemblies and inlet assemblies for military aircraft such as the C-5A cargo jet, the T-38 “Talon” jet trainer, the C-130 “Hercules” cargo jet, the A-10 attack jet, and the E-3 “Sentry” AWACS jet. Nine percent (9%), 10% and 28% of our revenue in 2011, 2010 and 2009, respectively, was generated by prime government contract sales.

We have over 30 years of experience as a contractor, completing over 2,500 contracts to date. Most members of our management team have held management positions at large aerospace contractors, including NGC, Lockheed and The Fairchild Corporation. Our technical team possesses extensive technical expertise and program management and integration capabilities. Our competitive advantage lies in our ability to offer large contractor capabilities with the flexibility and responsiveness of a small company, while staying competitive in cost and delivering superior quality products. While the larger prime contractors compete for significant modification awards and subcontract components to other suppliers, they generally do not compete for awards for smaller modifications or spare and repair parts, even for planes for which they are the original manufacturer. We qualify as a “small business” in connection with U.S. government contract awards because we have less than 1,000 employees, and this allows us to compete for military awards set aside for companies with this small business status.

Significant Contracts

Some of our significant contracts are as follows:

Military Aircraft – Subcontracts with Prime Contractors

E-2D “Hawkeye”. The NGC E-2 Hawkeye is an all-weather, aircraft carrier-based tactical Airborne Early Warning (AEW) aircraft. The twin turboprop aircraft was designed and developed in the 1950s by Grumman for the United States Navy as a replacement for the E-1 Tracer. The United States Navy aircraft has been progressively updated with the latest variant, the E-2D, first flying in 2007. In 2008, we received an initial \$7.9-million order from NGC to provide structural kits for the E-2D. We value the long-term agreement at approximately \$98 million over an eight-year period, with the potential to be in excess of \$195 million over the life of the aircraft program. The cumulative orders we have received on this program through January 2012 exceed \$34 million.

A-10 “Thunderbolt”. The A-10 Thunderbolt II is a single-seat, twin-engine, straight-wing jet aircraft developed by Fairchild-Republic for the United States Air Force to provide close air support of ground forces by attacking tanks, armored vehicles, and other ground targets with a limited air interdiction capability. It is the first U.S. Air Force aircraft designed exclusively for close air support. The A-10’s official name comes from the Republic P-47 Thunderbolt of World War II, a fighter that was particularly effective at close air support. The A-10 is more commonly known by its nickname “Warthog” or simply “Hog”. In 2008, we received an initial order of \$3.2 million from the Boeing Integrated Defense Systems unit of The Boeing Company (“Boeing”) in support of its \$2 billion award to produce up to 242 enhanced wings for the A-10. The cumulative orders we have received on this program through January 2012 exceed \$47 million.

Commercial Aircraft – Subcontracts with Prime Contractors

Gulfstream G650. In March 2008, Spirit awarded us a contract to provide Spirit with leading edges for the Gulfstream G650 business jet, a commercial program that Spirit is supporting. During 2009, we renegotiated the unit pricing for add-on work, engineering changes and tooling charges with Spirit for this multi-year contract. As a result of this renegotiation, we estimate the value of this contract to be approximately \$46.9 million. In addition, the tooling portion of this contract of approximately \$5.6 million was paid in four installments through July 2011. The cumulative orders we have received on this program through January 2012 exceed \$41 million.

Military Aircraft – Prime Contracts with U.S. Government

C-5A “Galaxy”. The C-5A Galaxy cargo jet is one of the largest aircraft in the world and can carry a maximum cargo load of 270,000 pounds. Lockheed delivered the first C-5A in 1970. The C-5A Galaxy carries fully equipped combat-ready military units to any point in the world on short notice and then provides field support to sustain the fighting force. The Air Force has created a comprehensive program to ensure the capabilities of its C-5A fleet until 2040. We are one of the leading suppliers of structural spare parts and assemblies for the C-5A aircraft. We assemble numerous C-5A parts, including panels, slats, spoilers and wing-tips and are the only supplier of C-5A wing-tips to the U.S. government. Like the C-5A itself, the wing-tip is a large structure and is expensive – costing up to \$750,000 for each replacement piece. Our first C-5A contract was approximately \$590,000 of structural spares and was awarded in 1995. In 2004, the Air Force awarded us a seven-year TOP contract to build an assortment of parts for the C-5A, including wing tips and panels. The ordering period for the C-5 TOP contract ended in May of 2011. Since 1995, we have received releases under contracts for C-5A parts aggregating approximately \$103 million, including \$45.5 million from the TOP contract.

Marketing and New Business

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From the beginning of the current fiscal year through May 4, 2012, we received approximately \$32.2 million of new contract awards, which included approximately \$0.2 million of government prime contract awards, approximately \$31.4 million of government subcontract awards and approximately \$0.6 million of commercial subcontract awards, compared to a total of \$46.8 million of new contract awards, of all types, in the same period last year.

Included in new contract awards are:

- \$12.7 million purchase order from Boeing for assemblies on the A-10 aircraft.

\$10.7 million order from Goodrich Corporation for the supply of structural aerospace assemblies. In addition, we will have, for the first time in our history, design authority for design modifications to the structure it is manufacturing.

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We have approximately \$952 million in formalized bids outstanding as of May 4, 2012 and continue to make bids on contracts on a weekly basis. Unawarded solicitations include two bids totaling approximately \$647 million to an international aerospace company for work on the Boeing 787. While we cannot predict the probability of obtaining or the timing of awards, some of these outstanding proposals are significant in amount.

While historically our direct U.S. Government work has typically ranged from six months to two years, our major subcontract awards for the E-2D, A-10 and G650 average a seven year life. Except in cases where contract terms permit us to bill on a progress basis, we must incur upfront costs in producing assemblies, amortize the costs and bill our customers upon delivery. Because of the upfront costs incurred, the timing of our billings and the nature of the percentage-of-completion (“POC”) method of accounting described below, there can be a significant disparity between the periods in which (a) costs are expended, (b) revenue and earnings are recorded and (c) cash is received.

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The Offering

Common stock offered by us(1) shares

Common stock offered by the selling shareholders shares

Common stock to be outstanding after this offering(1)(2) shares

Underwriters' over-allotment option We have granted the underwriters an option to buy up to an additional shares of common stock to cover over-allotments. The underwriters may exercise this option at any time and from time to time during the 30-day period from the date of this prospectus supplement.

Use of proceeds We intend to use the net proceeds from the sale of common stock by us in this offering to fund working capital and for other general corporate purposes. In addition, under the terms of our credit facility with Sovereign Bank, we are required to use at least 25% of the net proceeds from the offering to pay down our revolving loan from the bank, although we may elect to pay down more. Any amount by which the loan is paid down will immediately become available to be re-borrowed. We will not receive any of the proceeds from the sale of shares by the selling shareholders. We will, however, receive the aggregate exercise price of \$ with respect to shares being offered by certain of the selling shareholders that will be acquired by them upon the exercise of options in connection with the offering. We intend to use such funds in the same manner as described above, except that we will not be obligated to use at least 25% of the aggregate exercise price to pay down our revolving loan from Sovereign Bank. See the section entitled "Use of Proceeds" on page S-7.

NYSE MKT symbol CVU

Risk Factors See the section entitled "Risk Factors" beginning on page S-5 for a discussion of factors you should consider carefully before deciding to invest in our common stock.

(1) Assumes no exercise by the underwriters of their over-allotment option.

(2)

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Based on 7,007,719 shares of common stock outstanding as of June 6, 2012. Excludes 680,517 shares of common stock subject to outstanding options as more fully described in the section entitled "Description of Common Stock."

Unless we specifically state otherwise, all information in this prospectus supplement assumes no exercise by the underwriters of their over-allotment option, is based on the number of shares of common stock outstanding as of June 6, 2012 and excludes 680,517 shares of common stock subject to outstanding options.

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RISK FACTORS

Before you make a decision to invest in our common stock, you should consider carefully the risks described below, together with other information in this prospectus supplement, the accompanying prospectus and the information incorporated by reference herein and therein as set forth in our SEC filings, including our annual report on Form 10-K for the year ended December 31, 2011 and our quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2012. If any of the following events actually occur, our business, operating results, prospects or financial condition could be materially and adversely affected. This could cause the trading price of our common stock to decline and you may lose all or part of your investment. The risks described below are not the only ones that we face. Additional risks not presently known to us or that we currently deem immaterial may also significantly impair our business operations and could result in a complete loss of your investment.

Our management will have broad discretion over the use of the net proceeds from this offering. You may not agree with how we use the proceeds and the proceeds may not be invested successfully.

Our management will have broad discretion as to the use of the net proceeds from any offering by us and could use them for purposes other than those contemplated at the time of this offering. Under the terms of our credit facility with Sovereign Bank, we are required to use 25% of the net proceeds from the offering to pay down a portion of our revolving loan from the bank. Such amounts will immediately become available to be re-borrowed. Accordingly, you will be relying on the judgment of our management with regard to the use of these net proceeds, and you will not have the opportunity as part of your investment decision to assess whether the proceeds are being used appropriately. It is possible that the proceeds will be invested in a way that does not yield a favorable, or any, return for our company.

We may issue additional shares of capital stock in the future, which would increase the number of shares eligible for future resale in the public market and may result in dilution to our shareholders.

As of June 6, 2012, we had 7,007,719 shares of common stock subject to outstanding options, as more fully described in the section entitled "Description of Common Stock." In addition, we are not restricted from issuing additional shares of our common stock or securities convertible into or exchangeable for our common stock, except as described in the section entitled "Underwriting." Because we may need to raise additional capital in the future to continue to expand our business, among other things, we may conduct additional equity offerings. To the extent our outstanding options are exercised or we conduct additional equity offerings, additional shares of our common stock will be issued, which will increase the number of shares eligible for resale in the public market and may result in dilution to our shareholders. Sales of substantial numbers of such shares in the public market could adversely affect the market price of such shares.

We have never declared or paid cash dividends on our capital stock and we do not anticipate paying cash dividends in the foreseeable future.

Our business requires significant funding. We currently plan to invest all available funds and future earnings in the development and growth of our business and do not anticipate paying any cash dividends on our common stock in the foreseeable future. In addition, under the terms of our credit facility with Sovereign Bank, we are restricted from paying cash dividends. As a result, capital appreciation, if any, of our common stock will be our shareholders' sole source of potential gain for the foreseeable future.

We are able to issue shares of preferred stock with greater rights than our common stock.

Our certificate of incorporation authorize our board of directors to issue one or more series of preferred stock and set the terms of the preferred stock without seeking any further approval from our shareholders. Any preferred stock that is issued may rank ahead of our common stock in terms of dividends, liquidation rights or voting rights. If we issue preferred stock, it may adversely affect the market price of our common stock.

Anti-takeover provisions in our organizational documents and in New York law could delay a change in management and limit our share price or otherwise make a change in our management more difficult.

Certain provisions of our certificate of incorporation and bylaws could make it more difficult for a third party to acquire control of us even if such a change in control would increase the value of our common stock and could prevent or hinder attempts by our shareholders to replace or remove our current board of directors or management.

We have a number of provisions in place that will hinder takeover attempts and could reduce the market value of our common stock or prevent sale at a premium. These provisions include:

the authorization of undesignated preferred stock, which makes it possible for the board of directors to issue preferred stock with voting or other rights or preferences in a manner that could delay or prevent a transaction or a change in control;

a provision providing that shareholders may act by written consent without a meeting only if such written consent is signed by all shareholders;

a provision that specifies that special meetings of our shareholders can be called only by our board of directors or our chairman of the board, if one has been elected, or our president;

- the division of our board of directors into three classes, only one of which is elected annually; and
- advance notice requirements by shareholders for director nominations and actions to be taken at annual meetings.

In addition, because we are incorporated in New York, we are governed by the provisions of Section 912 of the New York Business Corporation Law, which generally prohibits a New York corporation from engaging in any of a broad range of business combinations with an “interested” shareholder for a period of five years following the date on which the shareholder became an “interested” shareholder. See the section entitled “Description of Capital Stock—Provisions of New York Law and Our Charter and Bylaws” in the accompanying base prospectus.

NOTE ON FORWARD-LOOKING STATEMENTS

Some of the statements contained in this prospectus and incorporated by reference herein are forward-looking statements that relate to possible future events, our future performance and our future operations. In some cases, you can identify these forward-looking statements by the use of words such as “may,” “will,” “should,” “anticipates,” “believes,” “expects,” “plans,” “future,” “intends,” “could,” “estimate,” “predict,” “potential,” “continue,” or the negative of these terms or similar expressions. These statements are only our predictions. We cannot guarantee future results, levels of activities, performance or achievements. Our actual results could differ materially from these forward-looking statements for many reasons, including as a result of those risks described from time to time in our SEC filings and those risks identified under sections entitled “Risk Factors” in any prospectus supplement. Important factors, among others, that may affect our actual results include:

- changes in the expense and revenue estimates used in our percentage-of-completion method of accounting;

- any suspension of or prohibition on our contracting with the Federal government;

- changes in Federal funding that affect our projects;

- changes in priorities in the Federal government due to military transformation and planning and/or the nature of war-related activity;

- the ability of the Federal government to terminate contracts, in whole or in part, without prior notice, for convenience;

- the time and expense of the Federal government’s competitive bidding process;

- environmental regulation at the Federal, state and local levels;

- regulation by the Federal Aviation Administration under the provisions of the Federal Aviation Act of 1958, as amended;

- reliance on subcontractors to perform a portion of the services that we must provide to our customers;

- increased costs on our fixed price contracts;

- differences between contract value and revenue received with respect to our backlog;
- our ability to attract and retain highly qualified senior officers and engineers;
- our ability to obtain sufficient credit lines;
- the cyclical nature of the commercial aerospace industry; and
- the unpredictable nature of new programs and new technologies.

We are under no duty to update or revise any of the forward-looking statements or risk factors to conform them to actual results or to changes in our expectations.

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USE OF PROCEEDS

We estimate that the net proceeds to us from this offering will be \$ million (or \$ million assuming the over-allotment option is exercised in full), after deducting underwriting discounts and commissions and an aggregate of \$ in estimated offering expenses payable by us for this offering. We intend to use the net proceeds from the sale of common stock by us in this offering to fund working capital and for other general corporate purposes. In addition, under the terms of our credit facility with Sovereign Bank, we are required to use at least 25% of the net proceeds from the offering to pay down our revolving loan from the bank, although we may elect to pay down more. Any amount by which the loan is paid down will immediately become available to be re-borrowed.

The credit facility provides for a revolving loan of up to \$18.0 million that matures on August 31, 2014 and bears interest 2.75% in excess of the LIBOR rate or the bank's prime rate, as selected by us in accordance with the terms of the facility. As of June 6, 2012, the balance of the revolving loan was \$17.6 million. The credit facility also provides for a \$3.0 million term loan, or term loan "A," that matures on November 1, 2013 and a \$4.5 million term, or term loan "B," that matures on March 9, 2017. Each of the term loans amortizes over approximately five years. We entered into swap arrangements with the bank with respect to each term loan, as a result of which term loan A bears interest at 5.8% and term loan B bears interest at 4.11%. As of June 6, 2012, the balance of term loan A was \$850,000 and the balance of term loan B was \$4.36 million.

Pending use of the net proceeds of this offering, we intend to invest the net proceeds in accordance with our investment policy guidelines, which currently provide for investment of funds in cash equivalents, money market funds and U.S. government obligations.

We will not receive any of the proceeds from the sale of shares by the selling shareholders. We will, however, receive the aggregate exercise price of \$ with respect to shares being offered by a selling shareholder that will be acquired by him upon the exercise of options in connection with the offering. We intend to use such funds in the same manner as described above, except that we will not be obligated to use at least 25% of the aggregate exercise price to pay down our revolving loan from Sovereign Bank.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2012 on an actual basis and on an as adjusted basis after giving effect to the sale by us of the shares of common stock offered hereby at an offering price of \$ and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

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You should read this table together with our financial statements and the related notes thereto, as well as “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the other financial information, incorporated by reference in this prospectus supplement or the accompanying prospectus from our SEC filings, including our annual report on Form 10-K for the year ended December 31, 2011 and our quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2012.

	As of March 31, 2012	
	Actual (Audited)	As Adjusted (Unaudited)
Shareholders’ equity:		
Common stock, \$.001 par value: authorized 50,000,000 shares, issued 7,007,719 and shares, respectively, and outstanding 7,007,719 and shares, respectively	\$7,008	\$
Additional paid-in capital	35,058,081	
Retained earnings	21,754,172	21,754,172
Accumulated other comprehensive loss	(47,050)	(47,050)
Total shareholders’ equity	\$56,772,211	\$

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SELLING SHAREHOLDERS

The following table sets forth the named of the selling shareholders, the number of shares beneficially owned by them prior to this offering, the number of shares that the selling shareholders are offering pursuant to this prospectus and the number of shares and percentage of outstanding shares of common stock to be beneficially owned by them after this offering, assuming that the shares of our common stock offered by the selling shareholders, in the aggregate, have been sold.

The percentage of common stock owned after the offering by each selling shareholder was calculated based on 7,007,719 shares of our common stock outstanding as of June 6, 2012.

Name of Selling Shareholder	Number of Shares of Common Stock Owned Prior to the Offering*	Number of Shares of Common Stock Offered in the Offering**	Number of Shares of Common Stock Owned After the Offering**	Percentage of Common Stock Owned After the Offering
Harvey J. Bazaar(1)	137,689			
Edward J. Fred(2)	371,339			
Douglas McCrosson(3)	78,209			
Kenneth McSweeney(4)	79,949			
Vincent Palazzolo(5)	91,995			
Walter Paulick(6)	66,319			

*Except as otherwise indicated by footnote, each selling shareholder has sole voting and dispositive power with respect to all of the shares of common stock beneficially owned by such selling shareholder.

** The selling shareholders are not offering any shares pursuant to the underwriters' over-allotment option.

Mr. Bazaar is a member of our board of directors. The number of shares of common stock beneficially owned by (1)Mr. Bazaar prior to the offering includes 112,689 shares that Mr. Bazaar has the right to acquire upon exercise of options.

(2)Mr. Fred is our chief executive officer and president and a member of our board of directors. The number of shares of common stock beneficially owned by Mr. Fred prior to the offering includes 100,000 shares that Mr. Fred has

the right to acquire upon exercise of options and 162,864 shares pledged as security in a margin account.

Mr. McCrosson is our chief operating officer. The number of shares of common stock beneficially owned by Mr. (3) McCrosson prior to the offering includes 75,000 shares that Mr. McCrosson has the right to acquire upon exercise of options. Mr. McCrosson is offering by this prospectus of the shares subject to options.

Mr. McSweeney is a member of our board of directors. The number of shares of common stock beneficially owned (4) by Mr. McSweeney prior to the offering includes 45,640 shares that Mr. McSweeney has the right to acquire upon exercise of options.

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Mr. Palazzolo is our chief financial officer. The number of shares of common stock beneficially owned by Mr. (5)Palazzolo prior to the offering includes 75,000 shares that Mr. Palazzolo has the right to acquire upon exercise of options.

Mr. Paulick is a member of our board of directors. The number of shares of common stock beneficially owned by (6)Mr. Paulick prior to the offering includes 45,640 shares that Mr. Paulick has the right to acquire upon exercise of options.

DESCRIPTION OF COMMON STOCK

Upon consummation of the offering, shares of common stock will be outstanding. An additional 680,517 shares of common stock are subject to outstanding options as of June 6, 2012. The options were issued by us to employees, non-employee directors and consultants of ours at exercise prices ranging from \$5.50 to \$15.27 per share with a weighted average exercise price of \$8.65 per share and a weighted average remaining contractual life of 2.74 years.

For a description of our common stock, please see “Description of Capital Stock” in the accompanying prospectus.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES FOR

NON-U.S. HOLDERS

The following discussion describes material U.S. federal income tax consequences to Non-U.S. Holders (as defined below) relating to the purchase, ownership and disposition of our common stock. This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), Treasury regulations promulgated under the Code (the “Regulations”), and administrative rulings and judicial decisions, in each case as of the date hereof. These authorities are subject to differing interpretations and may be changed, perhaps retroactively, resulting in U.S. federal income tax consequences materially different from those summarized below.

This summary assumes that our common stock is and will be held as a capital asset. This summary does not address the tax considerations arising under the U.S. federal estate and gift tax laws or the laws of any foreign, state or local jurisdiction. In addition, this summary does not purport to address all tax considerations that may be applicable to a particular holder’s circumstances or to holders that may be subject to special tax rules, including, without limitation, holders subject to the alternative minimum tax, banks, insurance companies or other financial institutions, tax-exempt organizations, dealers, brokers or traders in securities, currencies or commodities, holders that elect to use a mark-to-market method of accounting for their securities holdings, controlled foreign corporations, passive foreign investment companies, U.S. persons, former U.S. citizens or long-term residents, real estate investment trusts, regulated investment companies, partnerships or other pass-through entities for U.S. federal income tax purposes or investors therein, holders holding our common stock as a position in a hedging transaction, “straddle,” “conversion transaction,” other “synthetic security” or integrated transaction, or other risk-reduction transaction, holders deemed to sell our common stock under the constructive sale provisions of the Code, current or former holders, directly, indirectly or constructively, of five percent or more of our common stock or holders who acquired our common stock through the exercise of employee stock options or otherwise as compensation.

For purposes of this discussion, the term “U.S. Holder” means a beneficial owner of common stock that is, for U.S. federal income tax purposes:

- (i) an individual who is a citizen or resident of the United States;
 - (ii) a corporation, including any entity treated as a corporation for U.S. federal income tax purposes, created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia;
 - (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- (iv) a trust, if its administration is subject to the primary supervision of a U.S. court and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if it has a valid election in effect under applicable Regulations to be treated as a U.S. person.

For purposes of this discussion, the term “Non-U.S. Holder” means a beneficial owner of common stock (other than a partnership or other pass-through entity for U.S. federal income tax purposes) that is not a U.S. Holder.

If a partnership (or other pass-through entity for U.S. federal income tax purposes) holds our common stock, the tax treatment of a partner or other owner generally will depend upon the status of the partner (or other owner) and the activities of the entity. If you are a partner (or other owner) of a pass-through entity that is considering purchasing common stock, you should consult your tax advisor regarding the tax consequences relating to the purchase, ownership and disposition of our common stock.

Dividends. We currently do not pay dividends on our common stock and do not intend to pay dividends on our common stock in the foreseeable future. Dividends paid to you, if any, generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with your conduct of a trade or business within the United States and, if required by an applicable tax treaty, are attributable to your U.S. permanent establishment, are not subject to the withholding tax, but instead are subject to U.S. federal income tax on a net income basis in the same manner as if you were a U.S. Holder. Special certification and disclosure requirements, including the completion of Internal Revenue Service (“IRS”) Form W-8ECI (or any successor form), must be satisfied for effectively connected income to be exempt from withholding. If you are a foreign corporation, any such effectively connected dividends received by you may be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

If you wish to claim the benefit of an applicable treaty with respect to the withholding tax on dividends, you will be required to complete IRS Form W-8BEN (or any successor form) and certify under penalties of perjury that you are not a U.S. person and that you are entitled to the benefits of the applicable treaty. Special certification and other requirements apply to certain Non-U.S. Holders that are entities rather than individuals. If you are eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty, you may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

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Sale or Exchange of Common Stock. Except as disclosed under “FATCA” below, you generally will not be subject to U.S. federal income tax with respect to gain recognized on a sale or other disposition of shares of our common stock unless:

the gain is effectively connected with your conduct of a trade or business in the United States, and if required by an applicable tax treaty, is attributable to your U.S. permanent establishment;

you are an individual and are present in the United States for 183 days or more in the taxable year of the sale or other disposition, and certain other conditions are met; or

we are or have been a “U.S. real property holding corporation” for U.S. federal income tax purposes.

If you are an individual and are described in the first bullet above, you will be subject to tax on the net gain derived from the sale or other disposition under regular graduated U.S. federal income tax rates in the same manner as if you were a U.S. Holder. If you are an individual and are described in the second bullet above, you will be subject to a flat 30% tax on the gain derived from the sale or other disposition, which may be offset by U.S.-source capital losses (even though you are not considered a resident of the United States). If you are a foreign corporation and are described in the first bullet above, you will be subject to tax on your gain under regular graduated U.S. federal income tax rates in the same manner as if you were a U.S. Holder and, in addition, may be subject to the branch profits tax on your effectively connected earnings and profits at a rate of 30%, or at such lower rate as may be specified by an applicable income tax treaty.

We believe we are not and do not anticipate becoming a “U.S. real property holding corporation” for U.S. federal income tax purposes.

Information Reporting and Backup Withholding. Under certain circumstances, the Regulations require information reporting and backup withholding on certain payments on common stock.

U.S. backup withholding tax (currently at a rate of 28%) is imposed on certain payments to persons that fail to furnish the information required under the U.S. information reporting requirements. Dividends on common stock paid to a Non-U.S. Holder will generally be exempt from backup withholding, provided the Non-U.S. Holder meets applicable certification requirements, including providing a correct and properly executed IRS Form W-8BEN (or any successor form) or otherwise establishing an exemption. We must report annually to the IRS and to each Non-U.S. Holder the amount of dividends paid to that holder and the U.S. federal withholding tax withheld with respect to those dividends, regardless of whether withholding is reduced or eliminated by an applicable tax treaty.

Under the Regulations, payments of proceeds from the sale of our common stock effected through a foreign office of a broker generally are not subject to information reporting or backup withholding. However, if the broker is a U.S. person, a controlled foreign corporation for U.S. federal income tax purposes, a foreign person 50% or more of whose gross income is effectively connected with a U.S. trade or business for a specified three-year period, or a foreign partnership with significant U.S. ownership or that is engaged in a U.S. trade or business, then information reporting (but not backup withholding) will be required, unless the broker has in its records documentary evidence that the beneficial owner of the payment is a Non-U.S. Holder or is otherwise entitled to an exemption (and the broker has no knowledge or reason to know to the contrary), and other applicable certification requirements are met. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a U.S. person. Information reporting and backup withholding generally will apply to payments of proceeds from the sale of our common stock effected through a U.S. office of any U.S. or foreign broker, unless the beneficial owner, under penalties of perjury, certifies, among other things, its status as a Non-U.S. Holder or otherwise establishes an exemption.

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Backup withholding does not represent an additional income tax. Any amounts withheld from a payment to a holder under the backup withholding rules will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information or returns are timely furnished by the holder to the IRS.

FATCA. Recent legislation generally imposes withholding at a rate of 30% on payments to certain foreign entities (including financial intermediaries), including dividends on and the gross proceeds from dispositions of U.S. common stock, unless various U.S. information reporting and due diligence requirements that are different from, and in addition to, the beneficial owner certification requirements described above have been satisfied (generally relating to ownership by U.S. persons of interests in or accounts with those entities). Recently released proposed Regulations defer this withholding obligation until January 1, 2014 for payments of dividends on U.S. common stock and until January 1, 2015 for gross proceeds from dispositions of U.S. common stock. Non-U.S. Holders should consult their tax advisors regarding the possible implications of this legislation on their investment in our common stock.

Additional Tax on Investment Income. For taxable years beginning after December 31, 2012, certain persons, including certain individuals, estates and trusts that do not qualify as "nonresident aliens" within the meaning of Section 1411 of the Code and whose income exceeds certain thresholds, will be required to pay a 3.8% Medicare surtax on "net investment income" including, among other things, dividends and net gain from the disposition of property (other than property held in a trade or business). The term "nonresident alien" is not defined in Section 1411 or elsewhere in the Code, and it is unclear whether the term refers only to nonresident alien individuals or whether the term also includes foreign estates and trusts. Accordingly, Non-U.S. Holders are urged to consult their tax advisors regarding the effect, if any, of the additional tax on investment income on their ownership and disposition of our common stock.

UNDERWRITING

We and the selling shareholders have entered into an underwriting agreement with Roth Capital Partners, LLC, or Roth Capital, EarlyBirdCapital, Inc., or EarlyBirdCapital and Noble Financial Capital Markets, or Noble Financial with respect to the shares in this offering. We refer to Roth Capital, EarlyBirdCapital and Noble Financial together as the underwriters. Under the terms and subject to the conditions contained in the underwriting agreement, we and the selling shareholders have agreed to sell to the underwriters, and the underwriters have agreed to purchase from them, _____ shares of our common stock.

Under the terms and subject to the conditions contained in the underwriting agreement, we and the selling shareholders have agreed to sell to the underwriters named below, and each underwriter severally has agreed to purchase, the respective number of shares of common stock set forth opposite its name below:

Underwriter	Number of Shares
Roth Capital Partners, LLC	
EarlyBirdCapital, Inc.	
Noble Financial Capital Markets	

Total

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The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

The underwriters propose to offer the common stock directly to the public at the price set forth on the cover page of this prospectus supplement and to certain dealers at that price less a concession not in excess of \$ _____ per share. After the offering, these figures may be changed by the underwriters.

We have granted the underwriters an option to buy up to an additional _____ shares of common stock from it to cover over-allotments. The underwriters may exercise this option at any time and from time to time during the 30-day period from the date of this prospectus supplement. If any additional shares of common stock are purchased, the underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

The underwriting discounts and commissions are equal to the public offering price per share of common stock less the amount paid by the underwriters to us per share of common stock. The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters in this offering assuming both no exercise and full exercise of the over-allotment option:

	No Exercise of Over-Allotment	Full Exercise of Over-Allotment
<i>Paid by us:</i>		
Per share	\$	