Pyxis Tankers Inc.
Form F-4/A
October 05, 2015

As filed with the Securities and Exchange Commission on October 5, 2015

Registration No. 333-203598

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO.4 TO

FORM F-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Pyxis Tankers Inc.

(Exact Name of Registrant as Specified in Its Charter)

Marshall Islands	**4112**	**Not Applicable**
(Jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

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

Ellenoff Grossman & Schole, LLP

1345 Avenue of the Americas

New York, New York 10105

(212) 370-1300

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

With copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement and upon completion of the merger described in the enclosed proxy statement/prospectus.

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

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

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)	
Common Stock, par value U.S. $0.001 per share	1,350,000	N/A	$ 810,000	$ 94.12	(4)

(1) Represents the maximum number of 1,350,000 shares of Common Stock that Pyxis Tankers Inc. currently estimates to be issuable upon consummation of the merger and based on an exchange ratio of 1.350 common shares of Pyxis Tankers Inc. for each share of LookSmart, Ltd. common stock.

(2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act of 1933, as amended, or the Securities Act, and computed pursuant to Rule 457(f)(1) and 457(c) of the Securities Act. The proposed maximum aggregate offering price of the registrant’s common shares was calculated based upon the market value of shares of LookSmart, Ltd. common stock (the securities to be cancelled in the merger) in accordance with Rule 457(c) under the Securities Act as follows: (i) the product of (A) $0.60, the average of the high and low price per share of the LookSmart, Ltd. common stock on Nasdaq on April 20, 2015 and (B) 1,350,000, the maximum possible number of shares of LookSmart, Ltd. common stock that may be cancelled and exchanged in the merger.

(3) Determined in accordance with Section 6(b) of the Securities Act at a rate equal to $116.20 per $1,000,000 of the proposed maximum aggregate offering price.

(4) Previously paid.

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

The information in this proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS	**SUBJECT TO COMPLETION**	**DATED OCTOBER [ ], 2015**

TO THE STOCKHOLDERS OF LOOKSMART, LTD.:

You are cordially invited to attend a special meeting of the stockholders of LookSmart, Ltd., a Delaware corporation (referred to herein as "**LookSmart**," the "**Company**," "**we**," "**us**" or "**our**"), which will be held on ____________, 2015 at 10: a.m., local time, at the offices of Sichenzia Ross Friedman Ference LLP, 61 Broadway, 32nd Floor, New York, NY 10006.

Effective as of April 23, 2015, we entered into an Agreement and Plan of Merger (the "**Merger Agreement**") by and among Pyxis Tankers Inc. ("**Pyxis**"), Pyxis' wholly owned subsidiary, Maritime Technologies Corp. ("**Merger Sub**"), LookSmart and LookSmart's wholly owned subsidiary, LookSmart Group, Inc. ("**Holdco**"). If the transactions contemplated by the Merger Agreement are completed:

All of the business, assets and liabilities of LookSmart will have been acquired by Holdco, and holders of record of the Company's common stock at the close of business on _______, 2015 will receive a pro rata distribution of one share of Holdco's common stock for each share of LookSmart common stock held at the close of business on _______, 2015 (the "**Spin-Off**");

LookSmart will be merged with and into Merger Sub, with Merger Sub surviving the merger and being a wholly owned subsidiary of Pyxis (the "**Merger**"); and

Each share of LookSmart held by holders of record of the Company's common stock at the close of business on _______, 2015 will be cancelled and exchanged for the right to receive____ share(s) of Pyxis common stock.

In addition, in connection with the Merger, we are soliciting your consent to approve an amendment to our Amended Certificate of Incorporation to effect a reverse stock split (the "**Reverse Split**") of our issued and outstanding common stock by a ratio of not less than one-for-two and not more than one-for-ten at any time prior to __________, 2015, with the exact ratio to be set at a whole number within this range, as determined by our board of directors in its sole discretion.

The accompanying document is a proxy statement of LookSmart and a prospectus of Pyxis, and provides you with information about LookSmart, Pyxis, the proposed Spin-Off, Merger, the Reverse Split and the special meeting of LookSmart stockholders. You should read the entire proxy statement/prospectus carefully.

In connection with its evaluation of the Merger, the board of directors of LookSmart engaged Gruppo, Levey & Co. and Source Capital Group, Inc. (collectively, "**GLC**") to act as its financial advisors. GLC has rendered its opinion stating that, as of April 23, 2015 and based upon and subject to the assumptions, limitations and qualifications set forth in their opinion, the transactions and stock distributions to LookSmart's stockholders contemplated by the Merger Agreement were fair, from a financial point of view, to LookSmart's stockholders. The written opinion of GLC is attached as Annex B to this joint proxy statement/prospectus, and you should read it carefully.

For a discussion of risk factors you should consider in evaluating the proposals set forth in this proxy statement/prospectus that you are being asked to adopt, see "Risk Factors" beginning on page 24.

Whether or not you plan to attend a special meeting, please take the time to vote by completing and mailing the enclosed proxy card in the enclosed envelope. **YOUR VOTE IS VERY IMPORTANT.**

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE PYXIS COMMON STOCK TO BE ISSUED IN THE MERGER OR DETERMINED IF THIS PROXY STATEMENT/PROSPECTUS IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Thank you for your participation. We look forward to your continued support.

By Order of the Board of Directors,

LookSmart, Ltd.

Date:______, 2015 By: /s/ Michael Onghai
Name: Michael Onghai
Title: Chief Executive Officer

The accompanying proxy statement/prospectus is dated _______, 2015 and was first mailed to LookSmart stockholders on or about _______, 2015.

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NOTICE OF SPECIAL MEETING —PROPOSED STOCK SPLIT, SPIN-OFF AND MERGER.

YOUR VOTE IS VERY IMPORTANT. PLEASE VOTE YOUR SHARES PROMPTLY.

NOTICE IS HEREBY GIVEN, that you are cordially invited to attend a special meeting (the “**Special Meeting**”) of stockholders of LookSmart, to be held at 10:00 a.m., local time, on _____, __________ __, 2015, at the offices of counsel for LookSmart, Sichenzia Ross Friedman Ference LLP, 61 Broadway, 32nd Floor, New York, NY 10006, in order to consider and vote upon:

(1) a proposal to effect the Reverse Split of our issued and outstanding common stock by a ratio of not less than one-for-two and not more than one-for-ten at any time prior to _______, 2015, with the exact ratio to be set at a whole number within this range, as determined by our board of directors in its sole discretion — we refer to this proposal as the “**reverse split proposal**”;

(2) a proposal to adopt the Spin-Off of LookSmart’s business, assets and liabilities into Holdco — we refer to this proposal as the “**spin-off proposal**”;

(3) a proposal to adopt the Merger Agreement and to approve the transactions contemplated by such agreement — we refer to this proposal as the “**merger proposal**”; and

(4) to consider and vote upon a proposal to adjourn the Special Meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the Special Meeting, LookSmart is not authorized to consummate the transactions contemplated by the reverse split proposal, spin-off proposal and merger proposal — we refer to this proposal as the “**adjournment proposal**.”

These items of business are described in the attached proxy statement/prospectus, which we encourage you to read in its entirety before voting. Only holders of record of the Company’s common stock at the close of business on _______, 2015 are entitled to notice of the Special Meeting and to vote and have their votes counted at the Special Meeting and any adjournments or postponements of the Special Meeting. The affirmative vote of the holders of a majority of the outstanding shares of our common stock is required to approve the reverse split proposal, the spin-off proposal and the merger proposal. Approval of the adjournment proposal whether or not a quorum is present, requires the affirmative vote of a majority of the votes cast by the holders of shares of LookSmart’s common stock entitled to vote.

After careful consideration, the Company’s board of directors has determined that the reverse split proposal, spin-off proposal, merger proposal, and adjournment proposal are fair to and in the best interests of the Company and its stockholders and unanimously recommends that you vote or give instruction to vote:

“**FOR**” the reverse split proposal;

“**FOR**” the spin-off proposal;

“**FOR**” the merger proposal; and

“**FOR**” the adjournment proposal, if presented.

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YOUR VOTE IS IMPORTANT

WHETHER OR NOT YOU EXPECT TO ATTEND THE SPECIAL MEETING IN PERSON, WE ENCOURAGE YOU TO SUBMIT YOUR PROXY AS PROMPTLY AS POSSIBLE (1) BY TELEPHONE, (2) THROUGH THE INTERNET OR (3) BY MARKING, SIGNING AND DATING THE ENCLOSED PROXY CARD AND RETURNING IT IN THE POSTAGE-PAID ENVELOPE PROVIDED. You may revoke your proxy or change your vote at any time before the Special Meeting. If your shares are held in the name of a bank, broker or other nominee, please follow the instructions on the voting instruction card furnished to you by such bank, broker or other nominee, which is considered the stockholder of record, in order to vote. As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares in your account. Your broker or other agent cannot vote on any of the proposals, including the proposal to approve the reverse split proposal, spin-off proposal and merger proposal, without your instructions.

If you fail to return your proxy card, grant your proxy electronically over the Internet, or by telephone, or vote by ballot in person at the Special Meeting, your shares will not be counted for purposes of determining whether a quorum is present at the Special Meeting. If you are a stockholder of record, voting in person by ballot at the Special Meeting will revoke any proxy that you previously submitted. If you hold your shares through a bank, broker or other nominee, you must obtain from the record holder a valid "legal" proxy issued in your name in order to vote in person at the Special Meeting.

We encourage you to read the accompanying proxy statement carefully and in its entirety, as well as the documents we file from time to time with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2014. If you have any questions concerning the Reverse Split, the Spin-Off, the Merger, the Special Meeting or the accompanying proxy statement/prospectus, would like additional copies of the accompanying proxy statement/prospectus or need help voting your shares of common stock, please contact Michael Onghai at (415) 348-7000.

Thank you for your participation. We look forward to your continued support.

By Order of the Board of Directors,

LookSmart, Ltd.

Date:________, 2015 By: /s/ Michael Onghai
Name: Michael Onghai
Title: Chief Executive Officer

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ANNEXES

Annex A	**Merger Agreement dated April 23, 2015 and Amendment to Merger Agreement dated September 22, 2015**
Annex B	**Opinion of GLC, LookSmart, Ltd.'s Financial Advisor**
Annex C	**Form of Voting Agreement**
Annex D	**Articles of Incorporation and Bylaws of Pyxis Tankers Inc.**

QUESTIONS AND ANSWERS ABOUT THE PROPOSALS

*The following are answers to some questions that you, as a stockholder of LookSmart, may have regarding the Reverse Split, the Spin-Off, the Merger and the other matters being considered at LookSmart's Special Meeting, which is referred to herein as the "**Special Meeting**." We urge you to read carefully the remainder of this proxy statement/prospectus because the information in this section does not provide all the information that might be important to you with respect to the Reverse Split, the Spin-Off, the Merger and the other matters being considered at the Special Meeting. Additional important information is also contained in the annexes to and the documents incorporated by reference into this proxy statement/prospectus.*

Q: Why am I receiving this proxy statement/prospectus?

A: The board of directors of LookSmart is soliciting your proxy to vote at the Special Meeting because you owned shares of LookSmart common stock at the close of business on ________ __, 2015, the "**Record Date**" for the Special Meeting, and are therefore entitled to vote at the Special Meeting. This proxy statement, along with a proxy card or a voting instruction card, is being mailed to stockholders on or about ______ __, 2015. LookSmart has made these materials available to you on the Internet, and LookSmart has delivered printed proxy materials to you or sent them to you by e-mail. This proxy statement summarizes the information that you need to know in order to cast your vote at the Special Meeting. You do not need to attend the Special Meeting in person to vote your shares of LookSmart common stock.

Q: When and where will the Special Meeting be held?

A: The Special Meeting will be held at 10:00 a.m., local time, on ________, ________ __, 2015 at the offices of counsel for LookSmart, Sichenzia Ross Friedman Ference LLP, 61 Broadway, 32nd Floor, New York, NY 10006.

Q: On what matters will I be voting?

A: LookSmart and Pyxis have agreed to a business combination under the terms of an Agreement and Plan of Merger (the "**Merger Agreement**") dated as of April 23, 2015 by and among Pyxis Tankers Inc. ("**Pyxis**"), Pyxis' wholly owned subsidiary, Maritime Technologies Corp. ("**Merger Sub**"), LookSmart and LookSmart's wholly owned subsidiary, LookSmart Group, Inc. ("**Holdco**"). A copy of the Merger Agreement, as amended, is attached to this proxy statement as Annex A, and LookSmart encourages its stockholders to read it in its entirety.

LookSmart's stockholders are being asked to consider and vote upon proposals relating to the Merger Agreement, and specifically to adopt and approve the reverse split proposal, the spin-off proposal and the merger proposal, which, among other things, provide for: (a) the Reverse Split of our issued outstanding stock by a ratio of not less than one-for-two and not more than one-for-ten at any time prior to ______ __, 2015, with the exact ratio to be set at a whole number within this range as determined by our board of directors in its sole discretion; (b) the Spin-Off of LookSmart's business, assets and liabilities into Holdco; and (c) the Merger of LookSmart with and into Merger Sub, with Merger Sub surviving the merger and becoming the wholly-owned subsidiary of Pyxis.

LookSmart's stockholders may also be asked to consider and vote upon a proposal to adjourn the meeting to a later date or dates to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the Special Meeting, LookSmart would not have been authorized to consummate the Merger. LookSmart will hold the Special Meeting to consider and vote upon these proposals. This proxy statement/prospectus contains important information about matters to be acted upon at the Special Meeting. Stockholders should read it carefully. The vote of stockholders is important.

In order to complete the Merger, LookSmart stockholders must vote to approve the reverse split proposal, the spin-off proposal, and the merger proposal and all other conditions to the Merger must be satisfied or waived.

Stockholders are encouraged to vote as soon as possible after carefully reviewing this proxy statement/prospectus. If LookSmart stockholders fail to adopt the reverse split proposal, the spin-off proposal, or the merger proposal, the Merger cannot be completed.

Q: Why is LookSmart proposing the Reverse Split, the Spin-Off and the Merger?

A: Our board of directors is submitting the reverse split proposal to our stockholders for approval with the intent of increasing the market price of our common stock to make our common stock sufficiently attractive for Pyxis to consummate the Merger transaction and to ensure that Pyxis will be able to meet the listing requirements of the Nasdaq Capital Market or the NYSE MKT after consummation of the Merger transaction.

Pyxis is an industrial shipping company that owns and operates a fleet of tankers with an average current age of approximately five years. Based on its due diligence investigations of Pyxis and the industry in which it operates, including the financial and other information provided by Pyxis in the course of their negotiations, LookSmart believes that a business combination with Pyxis as contemplated by the Merger Agreement described below will provide LookSmart stockholders with an opportunity to participate in a company with significant growth potential while simultaneously continuing to participate in LookSmart's existing business as stockholders of Holdco as a result of the Spin-Off. However, there is no assurance of the growth potential of Pyxis or the ability of Holdco to operate its business in a manner substantially similar to the operation of LookSmart.

Q: What is the effect of the Reverse Split on holders of LookSmart common stock?

A: Depending on the ratio for the Reverse Split determined by our board of directors, a minimum of two and a maximum of ten shares of existing common stock will be combined into one new share of common stock. The actual number of shares issued after giving effect to the Reverse Split, if implemented, will depend on the reverse stock split ratio that is ultimately determined by our board of directors.

The Reverse Split will affect all holders of our common stock uniformly and will not affect any stockholder's percentage ownership interest in the Company, except that as described below in "Fractional Shares," record holders of common stock otherwise entitled to a fractional share as a result of the Reverse Split will be rounded up to the next whole number. In addition, the Reverse Split will not affect any stockholder's proportionate voting power.

The Reverse Split may result in some stockholders owning "odd lots" of less than 100 shares of common stock. Odd lot shares may be more difficult to sell, and brokerage commissions and other costs of transactions in odd lots are generally somewhat higher than the costs of transactions in "round lots" of even multiples of 100 shares.

Q: With regard to the Reverse Split, what if I hold my shares in street name?

A: Upon the implementation of the Reverse Split, we intend to treat shares held by stockholders through a bank, broker, custodian or other nominee in the same manner as registered stockholders whose shares are registered in their names. Banks, brokers, custodians or other nominees will be instructed to effect the Reverse Split for their beneficial holders holding our common stock in street name. However, these banks, brokers, custodians or other nominees may have different procedures than registered stockholders for processing the Reverse Split. Stockholders who hold shares of our common stock with a bank, broker, custodian or other nominee and who have any questions in this regard are encouraged to contact their banks, brokers, custodians or other nominees.

Q: With regard to the Reverse Split, what if I am a "book entry" holder of common stock (i.e. a stockholder that is registered on the transfer agent's books and records but does not hold stock certificates)?

A: Certain of our registered holders of common stock may hold some or all of their shares electronically in book-entry form with the transfer agent. These stockholders do not have stock certificates evidencing their ownership of the common stock. They are, however, provided with a statement reflecting the number of shares registered in their accounts.

Stockholders who hold shares electronically in book-entry form with the transfer agent will not need to take action (the exchange will be automatic) to receive whole shares of post-Reverse Split common stock, subject to adjustment for treatment of fractional shares. We do not currently intend to issue fractional shares in connection with the Reverse Split. Therefore, we will not issue certificates representing fractional shares. In lieu of issuing fractions of shares, we will round up to the next whole number.

Q: What consideration will LookSmart stockholders receive if the Reverse Split, Spin-Off and Merger are completed?

A: If the Spin-Off is completed, each LookSmart stockholder will be entitled to receive a pro rata distribution of one share of Holdco common stock for each share of LookSmart common stock they hold as of ______, 2015. If the Merger is completed, each share of LookSmart common stock (post-Stock Split) (the "**LS Post-Split Share Number**") will be exchanged for and converted into the right to receive such number of validly issued, fully paid and non-assessable shares of Pyxis Common Stock equal to the LS Conversion Number (hereinafter defined). The "LS Conversion Number" shall equal $4,000,000 divided by a denominator equal to (i) the LS Share Closing Date Price multiplied by (ii) the LS Post-Split Share Number. The "LS Share Closing Date Price" means the final closing price of a share of LS Common Stock (as adjusted for the Reverse Split) on the Closing Date. Thus, after the completion of the Reverse Split, the Spin-Off and the Merger, each LookSmart stockholder will have received one share of common stock of Holdco and share(s) of common stock of Pyxis in exchange for that stockholder's one share of LookSmart. As a result of arm's length negotiations, the intent of the parties is that the total number of Pyxis shares that LookSmart's shareholders will receive as a result of the Merger will be worth $4,000,000 in the aggregate, subject to a number of adjustments as a result of stock splits, reverse stock splits, recapitalizations, reclassifications, stock dividends, fluctuations in LookSmart's share price, changes in stock issued due to payment of fees in connection with the Merger, and certain other permitted issuances. In addition, LookSmart received $600,000 in cash upon the signing of the Merger Agreement.

LookSmart stockholders that own shares of the Company's common stock prior to the Make Whole Record Date (as hereinafter defined) may be entitled to additional compensation pursuant to the Merger Agreement that stockholders that purchase shares after the Make Whole Record Date will not be entitled to receive. Please read with care the consideration and other rights described in "The Merger – Merger Consideration" beginning on page 79 and "The Merger — Make Whole Record Date" beginning on page 79 of this proxy statement/prospectus.

Q: What is the Make Whole Record Date?

A: In the event that subsequent to the Merger, Pyxis completes a financing which results in gross proceeds to Pyxis of at least $5,000,000 (a "**Future Pyxis Offering**") at a valuation lower than the valuation ascribed to the shares of common stock received by LookSmart stockholders pursuant to the Merger Agreement, Pyxis will be obligated to make "whole" the LookSmart stockholders (the "**Make Whole Right**") who owned shares as of April 29, 2015 (the "**Make Whole Record Date**") by offering such LookSmart stockholders the right to receive additional shares of Pyxis common stock to compensate the LookSmart stockholders for the difference in value of their Pyxis common stock versus the value of a share of common stock in the Future Pyxis Offering. The Make Whole Right shall only apply to the first Future Pyxis Offering following the closing of the Merger which results in gross proceeds to Pyxis of at least $5,000,000, excluding any proceeds received from any shares purchased by Maritime Investors Corp ("Maritime Investors"), the parent company of Pyxis, or Martime Investors' affiliates.

In addition, should Pyxis fail to complete a Future Pyxis Offering within a date which is 3 years from the date of the closing of the Merger, each holder of the Company's common stock who has held such stock continuously from the date of the Make Whole Record Date until the expiration of such 3 year period (the "Legacy LS Stockholders") will have a 24-hour option (the "Put Period") to require Pyxis to purchase from such Legacy LS Stockholders, a pro rata amount of Pyxis common stock that would result in aggregate gross proceeds to the Legacy LS Stockholders, in an amount not to exceed $2,000,000; provided that in no event shall an individual Legacy LS Stockholder receive an amount per share greater than the Consideration Value. Pyxis is required to use commercially reasonable efforts to provide written notice to the Legacy LS Stockholders of the expiration of the Put Period, but in no event shall such notice be sent less than five business days prior to the end of the Put Period. Pyxis intends to provide the Legacy LS Stockholders with telephonic and internet platforms so that they may be able to exercise their Put Option during the Put Period.

Q: What happens if I buy my shares after the Make Whole Record Date?

A: Purchasers of LookSmart common stock after the Make Whole Record Date will not be entitled to be made "whole" as a result of a Future Pyxis Offering, and will not receive a put option such as that granted to the Legacy LS Stockholders.

Q: What happens if I sell my shares after the Record Date, but before the Special Meeting?

A: The Record Date is earlier than the date of the Special Meeting. If you transfer your shares of the Company after the Record Date but before the Special Meeting, you will retain your right to vote at the Special Meeting, but will transfer ownership of the shares and will not hold an interest in the Company in respect of such shares after the Reverse Split, the Spin-Off and the Merger are completed.

Q: Are there risks associated with the Reverse Split, the Spin-Off and the Merger that I should consider in deciding how to vote?

A: Yes. There are a number of risks related to the Merger and other transactions contemplated by the Merger Agreement, such as the Reverse Split and the Spin-Off, that are discussed in this proxy statement/prospectus. Please read with particular care the detailed description of the risks described in "Risk Factors" beginning on page 24 of this proxy statement/prospectus.

Q. What happens if the Reverse Split or Spin-Off is not approved?

A. The Merger Proposal is conditioned upon the approval of the Reverse Split and the Spin-Off. If either the Reverse Split or the Spin-Off is not approved, the Merger Proposal will not be presented for a vote, none of the Reverse Split, Spin-Off or Merger will be consummated and LookSmart will remain a Delaware public company.

Q: How does LookSmart's board of directors recommend that I vote?

A: The LookSmart board of directors recommends that LookSmart stockholders vote or give instruction to vote:

"**FOR**" the merger proposal;

"**FOR**" the spin-off proposal;

"**FOR**" the reverse split proposal; and

"**FOR**" the adjournment proposal, if presented.

You should read “The Merger — Recommendation of LookSmart’s Board of Directors and Reasons for the Merger” beginning on page 81 for a discussion of the factors that our board of directors considered in deciding to recommend the approval of the reverse split proposal, the spin-off proposal and the merger proposal.

Q: Do persons involved in the Merger have interests that may conflict with those as a LookSmart stockholder generally?

A: In considering the recommendation of the LookSmart board of directors to approve the Merger Agreement, LookSmart stockholders should be aware that certain LookSmart executive officers and directors may be deemed to have interests in the Merger that are different from, or in addition to, those of LookSmart stockholders generally. These interests, which may create actual or potential conflicts of interest, are, to the extent material, described in the section entitled “Interests of Directors and Executive Officers of LookSmart in the Merger” beginning on page 83.

Q: How do I vote?

A: After you have carefully read this proxy statement prospectus and have decided how you wish to vote your shares of LookSmart common stock, please vote your shares promptly.

Stockholders of Record

If your shares of LookSmart common stock are registered directly in your name with LookSmart’s transfer agent, VStock Transfer, LLC, you are the stockholder of record of those shares and these proxy materials have been mailed or e-mailed to you by the Company. You may vote your shares by Internet or by mail as further described below. Your vote authorizes Michael Onghai, Chief Executive Officer of the Company, as your proxy, with the power to appoint his substitute, to represent and vote your shares as you directed.

Vote by Internet—http://www.___________________________

Use the Internet to transmit your voting instructions 24 hours a day, seven days a week until 11:59 p.m. (Eastern Time) on ______, ______ __, 2015.

Please have your proxy card available and follow the instructions to obtain your records and create an electronic ballot.

Vote by mail

Complete, date and sign your proxy card and return it in the postage-paid envelope provided.

Beneficial Owners

If your shares of LookSmart common stock are held in a stock brokerage account, by a bank, broker or other nominee, you are considered the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by your bank, broker or nominee that is considered the holder of record of those shares. As the beneficial owner, you have the right to direct your bank, broker, trustee or nominee on how to vote your shares via the Internet or by telephone if the bank, broker, trustee or nominee offers these options or by signing and returning a proxy card. Your bank, broker, trustee or nominee will send you instructions for voting your shares. Please note that you may not vote shares held in street name by returning a proxy card directly to LookSmart or by voting in person at the Special Meeting unless you provide a “legal proxy,” which you must obtain from your broker, bank or nominee. Further, brokers, banks and nominees who hold shares of LookSmart common stock on your behalf may not give a proxy to LookSmart to vote those shares without specific instructions from you.

For a discussion of the rules regarding the voting of shares held by beneficial owners, please see the question below entitled “If I am a beneficial owner of shares of LookSmart common stock, what happens if I don’t provide voting instructions? What is discretionary voting? What is a broker non-vote?”

Q: What vote is required to approve each proposal?

A: The affirmative vote of the holders of a majority of the outstanding shares of our common stock is required to approve the reverse split proposal, the spin-off proposal and the merger proposal. Approval of the adjournment proposal, whether or not a quorum is present, requires the affirmative vote of a majority of the votes cast by the holders of shares of LookSmart’s common stock entitled to vote.

Q: How many votes do I and others have?

A: You are entitled to one vote for each share of LookSmart common stock that you held as of the Record Date. As of the close of business on the Record Date, there were ________ outstanding shares of LookSmart common stock.

Q: How will our directors and executive officers vote on the reverse split proposal, the spin-off proposal and the merger proposal?

A: As of the Record Date, the directors and executive officers of LookSmart as a group owned and were entitled to vote ________ shares of the common stock of the Company, representing approximately ____% of the outstanding shares of LookSmart common stock on that date. LookSmart expects that its directors and executive officers will vote their shares in favor of the reverse split proposal, the spin-off proposal and the merger proposal, but none of the Company's directors or executive officers other than Michael Onghai has entered into any agreement obligating any of them to do so.

In connection with their entry into the Merger Agreement, LookSmart, Pyxis and Michael Onghai (LookSmart's Chief Executive Officer and the majority shareholder of LookSmart), entered into a voting agreement, which is referred to herein as the "**Voting Agreement**." The Voting Agreement generally requires that Mr. Onghai, in his capacity as a stockholder of LookSmart, vote all of his shares of LookSmart common stock in favor of the reverse split proposal, the spin-off proposal and the merger proposal, unless doing so would violate his fiduciary duties as an executive officer and member of the board of directors of the Company. As of the Record Date, Mr. Onghai beneficially held ________ shares of LookSmart common stock, representing approximately ____% of the outstanding shares of the Company's common stock, of which ____________ shares are either held of record by Mr. Onghai as of the Record Date or over which he possesses voting rights and are therefore in either case subject to the Voting Agreement.

Mr. Onghai will not continue in any position in the merged entity after the Merger, and if the Merger is consummated, Mr. Onghai will beneficially own___ shares of Pyxis, representing approximately ___% shares of all of the outstanding shares of the Pyxis' common stock at the time the Merger is consummated.

Q: What will happen if I fail to vote or I abstain from voting?

A: Your failure to vote will have the same effect as a vote against the reverse split proposal, the spin-off proposal, the merger proposal and the adjournment proposal. Your abstention from voting will have the same effect as a vote against the reverse split, the spin-off proposal, the merger proposal and the adjournment proposal.

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Q: How many shares must be present to hold the Special Meeting?

A: The presence in person or by proxy of a majority of the outstanding shares of LookSmart common stock entitled to vote at the Special Meeting is necessary to constitute a quorum at the Special Meeting. The inspector of election will determine whether a quorum is present. If you are a beneficial owner (as defined above) of shares of the Company's common stock and you do not instruct your bank, broker or other nominee how to vote your shares on any of the proposals, your shares will not be counted as present at the Special Meeting for purposes of determining whether a quorum exists. Votes of stockholders of record who are present at the Special Meeting in person or by proxy will be counted as present at the Special Meeting for purposes of determining whether a quorum exists, whether or not such holder abstains from voting on all of the proposals.

Q: If I am a beneficial owner of shares of LookSmart common stock, what happens if I don't provide voting instructions? What is discretionary voting? What is a broker non-vote?

A: If you are a beneficial owner and you do not provide voting instructions to your broker, bank or other holder of record holding shares for you, your shares will not be voted with respect to any proposal for which your broker does not have discretionary authority to vote. Even though LookSmart is listed on the Nasdaq Capital Market, the rules of the New York Stock Exchange determine whether proposals presented at stockholder meetings are "discretionary" or "non-discretionary." If a proposal is determined to be discretionary, your broker, bank or other holder of record is permitted under New York Stock Exchange rules to vote on the proposal without receiving voting instructions from you. If a proposal is determined to be non-discretionary, your broker, bank or other holder of record is not permitted under New York Stock Exchange rules to vote on the proposal without receiving voting instructions from you. A "broker non-vote" occurs when a bank, broker or other holder of record holding shares for a beneficial owner does not vote on a non-discretionary proposal because the holder of record has not received voting instructions from the beneficial owner.

Under the rules of the New York Stock Exchange, each of the proposals to be presented at the Special Meeting is a non-discretionary proposal. Accordingly, if you are a beneficial owner and you do not provide voting instructions to your broker, bank or other holder of record holding shares for you, your shares will not be voted with respect to any of the proposals. A broker non-vote would have the same effect as a vote against the merger proposal, spin-off proposal and the adjournment proposal.

Q: What will happen if I return my proxy card without indicating how to vote?

A: If you sign and return your proxy card without indicating how to vote on any particular proposal, the LookSmart common stock represented by your proxy will be voted in favor of each such proposal. Proxy cards that are returned without a signature will not be counted as present at the Special Meeting and cannot be voted.

Q: Can I change my vote after I have returned a proxy or voting instruction card?

A: Yes. You can change your vote at any time before your proxy is voted at the Special Meeting. You can do this in one of four ways:

- you can grant a new, valid proxy bearing a later date;
- you can send a signed notice of revocation;
- if you are a holder of record, you can attend the Special Meeting and vote in person, which will automatically cancel any proxy previously given, or you may revoke your proxy in person, but your attendance alone will not revoke any proxy that you have previously given; or
- if your shares of LookSmart common stock are held in an account with a broker, bank or other nominee, you must follow the instructions on the voting instruction card you received in order to change or revoke your instructions.

If you choose either of the first two methods, you must submit your notice of revocation or your new proxy to the Secretary of LookSmart, as specified in this proxy statement, no later than the beginning of the Special Meeting. If your shares are held in street name by your broker, bank or nominee, you should contact them to change your vote.

Q: Do I need identification to attend the Special Meeting in person?

A: Yes. Please bring proper identification, together with proof that you are a record owner of shares of LookSmart common stock. If your shares are held in street name, please bring acceptable proof of ownership, such as a letter from your broker or an account statement stating or showing that you beneficially owned shares of LookSmart common stock on the record date. Acceptable proof of ownership is either (a) a letter from your broker stating that you beneficially owned LookSmart stock on the Record Date or (b) an account statement showing that you beneficially owned LookSmart stock on the Record Date.

Q: Are LookSmart stockholders entitled to appraisal rights?

A: No. LookSmart stockholders do not have appraisal rights in connection with the Reverse Split, the Spin-Off or the Merger under the General Corporation Law of the State of Delaware (the "**DGCL**").

Q: What do I do if I receive more than one set of voting materials?

A: You may receive more than one set of voting materials for the Special Meeting, including multiple copies of this proxy statement, proxy cards and/or voting instruction forms. This can occur if you hold your shares of common stock in more than one brokerage account, if you hold shares directly as a record holder and also in street name, or otherwise through a nominee, and in certain other circumstances. If you receive more than one set of voting materials, each should be voted and/or returned separately in order to ensure that all of your shares of common stock are voted.

Q: If I am a LookSmart stockholder, should I send in my LookSmart stock certificates with my proxy card?

A: No. Please DO NOT send your LookSmart stock certificates with your proxy card.

After the Spin-Off is completed, LookSmart's transfer agent, VStock Transfer, LLC, will send you a letter of transmittal and, when applicable, your shares of Holdco.

After the Merger is completed, if you held certificates representing shares of LookSmart common stock prior to the Merger, Pyxis' transfer agent, VStock Transfer, LLC, will send you a letter of transmittal and instructions for exchanging your shares of LookSmart common stock for shares of Pyxis' common stock. Upon surrender of the certificates for cancellation along with the executed letter of transmittal and other required documents described in the instructions, you will receive your shares of Pyxis' common stock.

Q: Do you expect the Spin-Off and the Merger to be taxable to LookSmart stockholders?

A: Yes. The receipt of Holdco's common stock as a result of the Spin-Off and the receipt of Pyxis' common stock in exchange for shares of LookSmart common stock in the Merger will be a fully taxable transaction. Please review carefully the information under "Federal Income Tax Consequences of the Reverse Split" beginning on page 76 for a description of the material U.S. federal tax consequences of the Reverse Split, and "United States Federal Income Tax Consequences of the Merger" beginning on page 84, for a description of the material U.S. federal income tax consequences of the Spin-Off and the Merger. The tax consequences to you will depend on your own situation. Please consult your tax advisors as to the specific tax consequences to you of the Merger, including the applicability and effect of U.S. federal, state, local and foreign income and other tax laws in light of your particular circumstances.

Q: When do you expect the Reverse Split, the Spin-Off and the Merger to be completed?

A: We are working to complete the Reverse Split, the Spin-Off and the Merger as quickly as possible, and we expect to complete all transactions in the third quarter of 2015. However, LookSmart cannot assure you when or if the Merger will occur. The Merger is subject to stockholder approvals and other conditions, and it is possible that factors outside the control of both LookSmart and Pyxis could result in the Merger being completed at a later time, or not at all. There may be a substantial amount of time between the Special Meeting and the completion of the Merger.

Q: The spin-off proposal and merger proposal are conditioned upon one another. What will happen if the spin-off proposal is not approved at the Special Meeting?

A: If either the spin-off proposal and the merger proposal are not approved at the Special Meeting, the Merger cannot be completed. This may mean LookSmart will be required to pay certain expenses if the Merger Agreement is subsequently terminated, as described under "*Termination Fees and Expenses*" beginning on page 92.

Q: Whom should I call with questions about the Special Meeting, the Reverse Split, the Spin-Off or the Merger?

A: LookSmart stockholders should call Michael Onghai at (415) 348-7000 with any questions.

Q: What will the business of the combined company be if the Merger is consummated?

A:

Pyxis Tankers Inc. is an international maritime transportation company, formed on March 23, 2015, with a focus on the tanker sector. At the consummation of the Merger, Pyxis' fleet will be comprised of six double hull tankers with a weighted average age based on the deadweight tonnage of 4.3 years and that are employed under a mix of short- and medium-term time charters and spot charters. At June 30, 2015, Pyxis had total assets and liabilities of $144.3 million and $89.6 million, respectively. For the six months ended June 30, 2015, Pyxis generated net income of $2.1 million.

Q: What will the management of the combined company be if the Merger is consummated?

A: Following the consummation of the Merger, the Board of Directors of the combined company will be comprised of five directors divided into three classes. See "Management of Pyxis Following the Merger" for more information. In addition, Valentios "Eddie" Valentis will be the Chairman and Chief Executive Officer, Henry Williams will be the Chief Financial Officer and Treasurer, Antonios Backos will be the Senior VP for Corporate Development, General Counsel and Secretary, and Konstantinos Lytras will be the Chief Operating Officer.

Q: What material negative factors did the boards of LookSmart and Pyxis consider in connection with the Merger?

A: By and large the board of directors of LookSmart did not view the Merger and proposed transactions with Pyxis as negative. Upon deliberation, the board of directors of LookSmart determined that the potential positive value of the successful completion of the transactions with Pyxis distinctly outweighed any negative factor. If the Merger Agreement is not approved by LookSmart stockholders or if the Merger is not completed for any other reason, LookSmart stockholders will not receive any payment or other compensation for their shares of common stock. Instead, LookSmart will remain an independent public company, its common stock will continue to be listed and traded on NASDAQ, if eligible, and registered under the Exchange Act and LookSmart will continue to file periodic reports with the SEC. In addition, if the Merger is not completed, LookSmart expects that management will operate the business in a manner similar to that in which it is being operated today and that LookSmart's stockholders will continue to be subject to the same risks and opportunities to which they are currently subject, including, without limitation, risks related to the highly competitive industry in which LookSmart operates, the potential of NASDAQ delisting, and the adverse economic conditions it faces.

The primary negative consequence of the transaction that LookSmart's board of directors considered was that the transaction would result in LookSmart's common stock moving from NASDAQ to the OTC Markets and the likely decline in the liquidity of LookSmart's common stock. Another negative factor that the board considered was that, following the Merger, the LookSmart shareholders would own a relatively small percentage of Pyxis common stock. Because LookSmart had already received several deficiency notices from NASDAQ and faced the possibility that the common stock had not experienced an active trading market and would ultimately be delisted from NASDAQ, LookSmart's board of directors did not believe that such negative factors outweighed the positive impact of the transaction to LookSmart's shareholders.

Furthermore, if the Merger is not completed, and depending on the circumstances that would have caused the Merger not to be completed, the price of LookSmart's common stock may decline significantly. If that were to occur, it is uncertain when, if ever, the price of LookSmart's common stock would return to the price at which it traded as of the date of this proxy statement.

Accordingly, if the Merger is not completed, there can be no assurance as to the effect of these risks and opportunities on the future value of your shares of LookSmart's common stock. If the Merger is not completed, LookSmart's board of directors will continue to evaluate and review the Company's business operations, properties, dividend policy and capitalization, among other things, make such changes as are deemed appropriate and continue to seek to identify strategic alternatives to enhance stockholder value. If the Merger Agreement is not approved by LookSmart's stockholders or if the Merger is not completed for any other reason, there can be no assurance that any other transaction acceptable to LookSmart will be offered or that LookSmart's business, prospects or results of operation will not be adversely impacted.

In addition, under specified circumstances, LookSmart may be required to reimburse Pyxis' expenses or pay Pyxis a termination fee, upon the termination of the Merger Agreement, as described under "Termination Fees and Expenses" beginning on page 92.

The board of directors of Pyxis considered the significant additional legal, accounting and other transaction expenses that it would incur, including costs associated with its future public company reporting requirements, as well as the amount of management's time that will be required to implement required new or improved controls over financial reporting as the material negative factors in connection with the Merger.

Please read with particular care the detailed description of the risks described in "*Risk Factors*" beginning on page 24 of this proxy statement/prospectus.

Q. How do the restrictions on Holdco in the disposition of the LookSmart operating business and the pledge by Michael Onghai of his shares of the LookSmart operating subsidiaries impact the Holdco shareholders?

A. Pursuant to the Merger Agreement, for a period of two years following the Closing Date of the Merger, subject to certain limited exceptions, none of Holdco, or the LookSmart operating subsidiaries, shall directly or indirectly transfer or create any encumbrance on any of their respective businesses, operations or assets, whether or not received as part of the Transfer, without the prior written consent of Pyxis. In addition, Pyxis, Michael Onghai, LookSmart, and Holdco entered into a Pledge Agreement ("Pledge Agreement") pursuant to which, among other things, Michael Onghai and his affiliates pledged all of their shares in the LookSmart operating subsidiaries (with certain exceptions) to Pyxis.

The pledge and the constraint on the disposition of the LookSmart operating business during the period of two years after Closing of the Merger were designed to provide collateral to support LookSmart and Holdco's indemnification liabilities under the Merger Agreement.

The constraint on the disposition of the LookSmart operating business may make it more difficult for Holdco and the LookSmart operating subsidiaries to obtain financing during the two year period.

FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus, including information incorporated by reference into this proxy statement/prospectus, includes forward-looking statements regarding, among other things, LookSmart's plans, strategies and prospects, both business and financial. Although LookSmart believes that its plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, LookSmart cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions including, without limitation, the factors described under "*Risk Factors*" from time to time in LookSmart's filings with the SEC. Many of the forward-looking statements contained in this presentation may be identified by the use of forward-looking words such as "believe", "expect", "anticipate", "should", "planned", "will", "may", "intend", "estimated", "aim", "on track", "target", "opportunity", "tentative", "positioning", "designe "predict", "project", "seek", "would", "could", "continue", "ongoing", "upside", "increases" and "potential", among others. Im factors that could cause actual results to differ materially from the forward-looking statements we make in this presentation are set forth in other reports or documents that we file from time to time with the SEC, and include, but are not limited to:

- the number and percentage of our public stockholders voting against the reverse split proposal, spin-off proposal and merger proposal;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement;
- the ability to obtain and/or maintain the listing of Pyxis' common stock on NASDAQ or the NYSE MKT following the Merger;
- changes adversely affecting the business in which Pyxis is engaged;
- management of growth;
- general economic conditions;
- Pyxis' business strategy and plans, including future acquisitions of vessels;
- the result of future financing efforts; and

· and the other factors summarized under the section entitled "*Risk Factors*".

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this proxy statement/prospectus. All forward-looking statements included herein attributable to any of LookSmart, Pyxis or any person acting on either party's behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, LookSmart and Pyxis undertake no obligations to update these forward-looking statements to reflect events or circumstances after the date of this proxy statement/prospectus or to reflect the occurrence of unanticipated events.

Before a stockholder grants its proxy or instructs how its vote should be cast or vote on the merger proposal, spin-off proposal, or the adjournment proposal, it should be aware that the occurrence of the events described in the "*Risk Factors*" section and elsewhere in this proxy statement/prospectus may adversely affect LookSmart and Pyxis.

SUMMARY

This summary highlights selected information from this proxy statement/prospectus and does not contain all of the information that is important to you. To better understand the proposals to be submitted for a vote at the Special Meeting, including the Merger, you should read this entire document carefully, including the Merger Agreement attached as Annex A to this proxy statement/prospectus. The Merger Agreement is the legal document that governs the Merger and the other transactions that will be undertaken in connection with the Merger. It is also described in detail in this proxy statement/prospectus in the section entitled "The Merger Agreement."

The Parties

LookSmart, Ltd.

LookSmart was organized in 1996 and is incorporated in the State of Delaware. LookSmart is a digital advertising solutions company that provides relevant solutions for search and display advertising customers, organized along five lines of business: (i) Clickable, (ii) LookSmart AdCenter, (iii) Novatech.io, (iv) ShopWiki and (v) web searches. In addition, LookSmart formed a partnership with Conversion Media Holdings, LLC, which supports the Company's lines of business through the creation of content sites directed at ecommerce verticals. The Company operates each line of business, while being related to the others in terms of shared resources, as separate business lines with their own core management, profits and losses, and the ability to operate independently as separate businesses. As a result, this separation of business lines allows LookSmart to operate effectively as a holding company and as a capital allocator to each of the Company's separate businesses with the goal of finding mispriced assets in the public and private markets and subsequently utilizing those assets to create scalable and sustainable businesses that may then be monetized for the ultimate benefit of LookSmart's stockholders.

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After the Merger, LookSmart will cease to exist.

LookSmart Group, Inc.

Holdco is a wholly-owned subsidiary of LookSmart formed solely for the purpose of effectuating the Spin-Off described herein, and to carry on the historical business of LookSmart following the Merger. Holdco was incorporated under the laws of Nevada on March 6, 2015.

Pyxis Tankers Inc.

Pyxis Tankers Inc. is a newly formed international maritime transportation company with a focus on the tanker sector. At the consummation of the Merger, Pyxis' fleet will be comprised of six double hull tankers with a weighted average age of 4.3 years as of June 30, 2015, based on deadweight tonnage, that are employed under a mix of short- and medium-term time charters and spot charters. Pyxis will acquire these six vessels prior to the Merger from affiliates of its founder and chief executive officer, Mr. Valentios ("Eddie") Valentis. Four of the vessels in the fleet will be medium-range, or MR, tankers, three of which have eco-efficient or eco-modified designs and two will be short-range tanker sister ships. Each of the vessels in the fleet is capable of transporting refined petroleum products, such as naphtha, gasoline, jet fuel, kerosene, diesel and fuel oil, as well as other liquid bulk items, such as vegetable oils and organic chemicals.

Pyxis' principal objective will be to own and operate its fleet in a manner that will enable it to benefit from short- and long-term trends that Pyxis expects in the tanker sector to maximize its revenues and to enhance returns to its shareholders. Pyxis intends to expand the fleet primarily through selective acquisitions of modern product tankers in a manner that is accretive to shareholder value. It expects to employ its vessels through time charters to creditworthy customers and on the spot market. Pyxis intends to continually evaluate the markets in which it operates and, based upon its view of market conditions, adjust its mix of vessel employment by counterparty and stagger its charter expirations. In addition, Pyxis may choose to opportunistically direct asset sales when conditions are appropriate to generate attractive returns for its shareholders.

Following the consummation of the Merger, Pyxis will consider taking advantage of LookSmart's experience in customizable internet applications. LookSmart intends to upgrade without charge Pyxis' web-site and internet capabilities in order to enhance functionality and information, including shareholder interface. Pyxis also intends that Robert Ladd, LookSmart's nominee to Pyxis' Board, and a number of Pyxis' executive officers will monitor technological developments in the shipping industry and when economically feasible, propose technologies for adoption by Pyxis and/or consider possible opportunities for joint ventures or investments by Pyxis. In order to enhance its shareholders' relations and capital markets access, Pyxis also intends to establish a small representative office in the New York area in the near future.

Merger Sub

Merger Sub is a wholly-owned subsidiary of Pyxis formed solely for the purpose of effecting the Merger described herein. Merger Sub was incorporated under the laws of Delaware on March 25, 2015.

The Reverse Split

Our board of directors has adopted resolutions (i) declaring that filing an amendment to the Company's Certificate of Incorporation to effect the Reverse Split of our issued and outstanding common stock was advisable, and (ii) directing that a proposal to approve the Reverse Split be submitted to the holders of our common stock for their approval. The Reverse Split of our issued and outstanding common stock will be effected by a ratio of not less than one-for-two and not more than one-for-ten at any time prior to ______, 2015, with the exact ratio to be set at a whole number within this range as determined by our board of directors in its sole discretion.

Our board of directors is submitting the reverse split proposal to our stockholders for approval with the intent of increasing the market price of our common stock to enhance our ability to meet the continued listing requirements of the Nasdaq Capital Market, to make our common stock sufficiently attractive for Pyxis to consummate the Merger transaction and to ensure that Pyxis will be able to meet the initial listing requirements of the Nasdaq Capital Market or the NYSE MKT after consummation of the Merger transaction. Please see the section entitled "*The Reverse Split*" for more information.

The Spin-Off

Prior to the execution of the Merger Agreement, pursuant to an Assignment and Assumption Agreement between the Company and Holdco (the "**Assignment Agreement**"), LookSmart transferred all of its businesses, assets and liabilities to Holdco in anticipation of the Spin-Off of Holdco from LookSmart. Pursuant to the terms of the Assignment Agreement, Holdco assumed all liabilities of LookSmart, and the liabilities of LookSmart's former subsidiaries, and has indemnified Pyxis for losses relating to all of the liabilities of the Company and its former subsidiaries.

Upon completion of the Spin-Off, all of LookSmart's shares of the common stock of Holdco shall be cancelled and Holdco shall be 100% owned by the LookSmart stockholders of record as of ________, 2015.

Principally, the transfer of all assets and liabilities of LookSmart to Holdco prior to the Spin-Off was to satisfy Pyxis' initial demands and LookSmart's agreement to do so.

The Merger

Under the terms of the Merger Agreement, upon completion of the Merger, LookSmart will merge with and into Merger Sub. Merger Sub will be the surviving corporation in the Merger and will continue to be a wholly owned subsidiary of Pyxis.

Each share of LookSmart common stock (post-Stock Split) (the "**LS Post-Split Share Number**") held by holders of record of the Company's common stock (post-Reverse Split) immediately prior to the Effective Time will be exchanged for and converted into the right to receive such number of validly issued, fully paid and non-assessable shares of Pyxis Common Stock equal to the LS Conversion Number. The "LS Conversion Number" shall equal $4,000,000 divided by a denominator equal to (i) the LS Share Closing Date Price multiplied by (ii) LS Post-Split Share Number. The "LS Share Closing Date Price" means the final closing price of a share of LS Common Stock (as adjusted for the Reverse Split) on the Closing Date. Thus, after the completion of the Reverse Split, the Spin-Off and the Merger, each LookSmart stockholder will have received one share of common stock of Holdco and share(s) of Common Stock of Pyxis in exchange for that stockholder's one share of LookSmart. After the completion of the proposed Merger, and assuming no adjustments pursuant to the terms of the Merger Agreement, including any issuance of additional shares to Maritime Investors as described below, the public stockholders of the Company are expected to own 5.66% of the total issued and outstanding common stock of Pyxis. Additionally, in connection with the Merger, Maritime Investors, the sole stockholder of Pyxis prior to the Merger, shall receive additional Pyxis Shares (the "True-Up Shares") based on the following formula: (A) (i) $66,700,000 (which amount shall be adjusted upwards if Pyxis or its operating subsidiaries collectively have cash at the closing of over $779,000 or make any loan repayments relating to the vessels in its fleet prior to the closing), divided by (ii) the LS Share Closing Date Price, minus (B) the number of Pyxis Shares owned by Maritime Investors immediately prior to closing. Maritime Investors may elect to receive in lieu of up to $1.875 million of the Pyxis True-Up Shares, an unsecured promissory note from Pyxis with a maturity of January 15, 2017 and an interest rate of 2.75% per annum payable quarterly in arrears in cash or additional Pyxis shares (at a price per Pyxis share based on a five day volume weighted average price) accrued on a 360-day basis. Pyxis will be permitted to combine any such note with its existing $625,000 promissory note made in favor of Maritime Investors. Based on approximately $2.9 million of repayments Pyxis has made to outstanding loans relating to the vessels in its fleet since the Merger Agreement was executed and the requirement in Pyxis' loan agreements, guarantees and other commitments with banks, to have a minimum of $5.0 million of cash maintained at its banks upon consummation of the Merger, Maritime Investors is expected to receive approximately 1,300,000 additional Pyxis shares in accordance with the Merger Agreement's adjustment provisions, assuming (i) an LS Share Closing Date Price of $4.00 and (ii) that Maritime Investors elects to receive the full $1.875 million amount in a promissory note.

As a result of the Merger, and subject to the terms and conditions of the Merger Agreement, Pyxis is expected to become a public company. Pyxis intends to apply to have its common stock listed on the Nasdaq Capital Market or the NYSE MKT under the symbol "PXS."

Pre-Merger Structure

Post-Merger Structure

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Merger Consideration

Each "LS Post-Split Share Number" held by holders of record of the Company's common stock (post-Reverse Split) at the close of business on _______, 2015 will be exchanged for and converted into the right to receive such number of validly issued, fully paid and non-assessable shares of Pyxis Common Stock equal to the LS Conversion Number (hereinafter defined). The "LS Conversion Number" shall equal $4,000,000 divided by a denominator equal to (i) the LS Share Closing Date Price multiplied by (ii) LS Post-Split Share Number. The "LS Share Closing Date Price" means the final closing price of a share of LS Common Stock (as adjusted for the Reverse Split) on the Closing Date. Thus, after the completion of the Reverse Split, the Spin-Off and the Merger, each LookSmart stockholder will have received one share of common stock of Holdco and share(s) of Common Stock of Pyxis in exchange for that stockholder's one share of LookSmart. In addition, the Company received a cash payment of $600,000 (the "Cash Consideration") upon execution of the Merger Agreement, which will be used by LookSmart and Holdco for operational purposes. LookSmart used approximately $380,000 for professional expenses primarily related to this transaction and the balance to satisfy other LookSmart obligations and for working capital.

Termination Fees and Expenses Related to the Merger

In the event of proper termination by either the Company or Pyxis, the Merger Agreement will be of no further force or effect and the Merger will be abandoned, except that if the Merger Agreement is terminated due to (i) the proposals herein not being approved, or (ii) a breach by LookSmart of its covenants, agreements or representations and warranties (and has not cured its breach within 30 days of the giving of notice of such breach), then the Company shall immediately repay Pyxis the $600,000 cash consideration plus legal and accounting fees incurred by Pyxis (up to $450,000 in fees) (collectively, the "Break-up Fees"), and if the Merger Agreement is terminated because the board of directors of LookSmart withdraws its recommendation of the Merger or approves an alternative proposal or enters into a superior proposal, then in addition to the Break-up Fees an additional fee of $450,000 shall also be paid to Pyxis.

The Make Whole Right

In the event that subsequent to the Merger, Pyxis completes a financing (a "**Future Pyxis Offering**") at a an offering price per share (the "**New Offering Price**") lower than the valuation ascribed to which share of common stock received by LookSmart stockholders pursuant to the Merger Agreement (the "**Consideration Value**"), Pyxis will be obligated to make "whole" the LookSmart stockholders (the "**Make Whole Right**") as of April 29, 2015 (the "**Make Whole Record Date**") pursuant to which the LookSmart stockholders will be entitled to receive additional shares of Pyxis common stock to compensate the LookSmart stockholders for the difference between the New Offering Price and the Consideration Value. The Make Whole Right shall only apply to the first Future Pyxis Offering following the closing of the Merger which results in gross proceeds to Pyxis of at least $5,000,000, excluding any proceeds received from any shares purchased by Maritime Investors or its affiliates.

The completion of a Future Pyxis Offering is subject to a number of conditions including the U.S. capital markets and investors interest. However, below is a hypothetical example of how the Make-Whole provision could work:

Assuming (i) Consideration Value of $4.00 per share, (ii) New Offering Price of $3.60 per share, (iii) LS Post-Split Share Number of 1,000,000, (iv) 50% of the LS Post-Split Shares are still held by the Legacy LS Stockholders as of the date of the Future Pyxis Offering, and (v) receipt of more than $5 million of gross proceeds from the first Future Pyxis Offering, such Legacy LS Stockholders would receive, in the aggregate, $200,000 worth of additional Pyxis shares (55,556 shares). The computations would be as follows:

Consideration Value per share	$4.00
Less: New Offering Price per share	$3.60
Make-Whole per share	$0.40
Multiplied by: Shares held by LS Legacy Stockholders	500,000
Make –Whole Amount	$200,000
Divided by: New Offering Price per share	$3.60
Additional Pyxis shares to be issued to Legacy LS Stockholders for Make-Whole provision	55,556

In addition, should Pyxis fail to complete a Future Pyxis Offering within a date which is 3 years from the date of the closing of the Merger, each holder of the Company’s common stock who has held such stock continuously from the date of the Make Whole Record Date until the expiration of such 3 year period (the “**Legacy LS Stockholders**”) will have a 24-hour option (the “**Put Period**”) to require Pyxis to purchase from such Legacy LS Stockholders, a pro rata amount of Pyxis common stock that would result in aggregate gross proceeds to the Legacy LS Stockholders, in an amount not to exceed $2,000,000; provided that in no event shall a Legacy LS Stockholder receive an amount per share greater than the Consideration Value. Pyxis is required to use commercially reasonable efforts to provide written notice to the Legacy LS Stockholders of the expiration of the Put Period, but in no event shall such notice be sent less than five business days prior to the end of the Put Period. Pyxis intends to provide the Legacy LS Stockholders with internet platforms so that they may be able to exercise their Put Option during the Put Period.

STOCKHOLDERS PURCHASING SHARES OF LOOKSMART’S COMMON STOCK AFTER THE MAKE WHOLE RECORD DATE WILL NOT BE ENTITLED TO THE FOREGOING COMPENSATION RELATED TO A FUTURE PYXIS SECURITIES OFFERING.

The Special Meeting

The Special Meeting will be held at 10:00 a.m., local time, on _____, __________ __, 2015, at the offices of Sichenzia Ross Friedman Ference LLP, 61 Broadway, 32nd Floor, New York, NY 10006, to consider and vote upon the reverse split proposal, the spin-off proposal, the merger proposal and/or if necessary, the adjournment proposal to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the Special Meeting, LookSmart is not authorized to consummate the Reverse Split, Spin-Off and/or the Merger.

Recommendation to Stockholders

After careful consideration, the Company's board of directors has determined that the merger proposal, the spin-off proposal, and the adjournment proposal are fair to and in the best interests of the Company and its stockholders and unanimously recommends that you vote or give instruction to vote "**FOR**" the reverse split proposal, "**FOR**" the spin-off proposal, "**FOR**" the merger proposal and "**FOR**" the adjournment proposal, if presented.

Opinion of Financial Advisor to the Board of Directors of LookSmart

LookSmart engaged Gruppo, Levey & Co. and Source Capital Group, Inc. to render an opinion, as of April 23, 2015, as to the fairness of the Merger, from a financial standpoint, to LookSmart's stockholders. Gruppo, Levey & Co. and Source Capital Group, Inc. (collectively, "GLC") are investment banks that work together regularly in the evaluation of businesses and their securities in connection with acquisitions, corporate restructuring, private placements and for other purposes. LookSmart's board of directors decided to use the services of GLC because GLC represented to the Company that it has requisite experience in similar matters. GLC rendered its oral opinion to LookSmart's board of directors on March 31, 2015 (which was subsequently confirmed in writing by delivery of GLC's written opinion) that the Merger was fair, from a financial point of view, to LookSmart stockholders.

GLC's opinion was provided for the use and benefit of the LookSmart board of directors in connection with its consideration of the Merger and only addressed the fairness, from a financial standpoint, of the Merger to LookSmart's stockholders pursuant to the Merger Agreement, in each case as of the date of the opinion, and did not address any other aspect or implication of the Merger. The summary of GLC's opinion in this proxy statement is qualified in its entirety by reference to the full text of the written opinion, which is included as Annex B to this proxy statement and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by GLC in preparing its opinion. However, neither GLC's written opinion nor the summary of its opinion and the related analyses set forth in this proxy statement are intended to be, and do not constitute, advice or a recommendation to any stockholder as to how such stockholder should act or vote with respect to any matter relating to the proposed Merger.

In this analysis, GLC evaluated what the existing shareholders of LookSmart are giving up in the Merger, the consideration they are receiving in the Merger and whether the value of this consideration exceeds the value which can reasonably be ascribed to what the LookSmart shareholders are giving up in the Merger. Since the LookSmart shareholders are retaining stock ownership of the operating businesses of LookSmart via their stock ownership of Holdco, the value of what they are relinquishing in the Merger is limited to the difference in value between that ownership in the form of NASDAQ listed stock and ownership of stock that does not have a NASDAQ listing. In addition, restrictions for two years on the disposition of the assets and stock of the LookSmart operating businesses as a result of the Merger were considered. GLC believes there is a cost to these restrictions but that they are not intended to interfere with the operations or growth of the LookSmart businesses. GLC concluded that the combination of the

$600,000 paid to LookSmart upon the signing of the Merger Agreement, which benefitted all LookSmart shareholders, and the value of the Pyxis shares to be received by LookSmart shareholders, when considered in relation to the “Make Whole” provisions in the Merger Agreement, exceeds the value of what the LookSmart shareholders are giving up in the Merger.

The quantitative analysis applying the above reasoning is as follows:

- The stock price for LookSmart at the end of the week prior to the announcement of the merger was $0.56. The average closing stock price for the Company from the beginning of April up until this time was $0.62. The closing stock price on March 24, 30 days prior to the announcement of the merger on April 23, was $0.61. Given steady year-over-year declines in quarterly revenue from the beginning of 2014 for LookSmart, and ongoing operating losses, GLC deemed it unlikely that operating fundamentals in the business would cause the stock price to increase above this level.

- The approximate market valuation of the Company at a price per share of $0.62 was $3.6 million. GLC determined, based on standard practice in the financial industry, that in becoming a private company, with no change in the operating characteristics in the business, a maximum 30% discount for loss of liquidity would apply, implying a private company valuation of $2.5 million, representing a potential loss in value of $1.1 million as a result of losing the NASDAQ listing for their stock. The Merger Agreement provides for the pledge of most of Holdco shares to Pyxis for two years, a restraint on the disposition of the LookSmart operating businesses during this period of time. GLC determined this restriction eroded the value of the LookSmart businesses from the $2.5 million value of these businesses as private entities by another 30%, taking into account both the length of time of the restriction and any risk to fundraising or other financial alternatives for the LookSmart businesses which the shareholders would otherwise have the freedom to pursue during this period of time. The cost of the restriction was therefore assessed at $750,000 (30% of $2.5 million).

- The total that the LookSmart shareholders are giving up in the Merger under the GLC analysis is therefore $1.85 million.

- The consideration the LookSmart shareholders are receiving in the Merger is $600,000 (already paid to the Company) plus Pyxis stock nominally assigned a value of $4.0 million. The value of Pyxis’ stock based on operating and market fundamentals, as GLC understands them, is uncertain and may be less than $4.0 million. The “Make-Whole” rights in the Merger Agreement, however, provide that LookSmart shareholders receive this $4.0 million in value in conjunction with a future equity offering by Pyxis, with a backstop in the event that this equity offering does not occur for three years, allowing LookSmart shareholders to sell their shares to Pyxis for $2.0 million. GLC determined the present value of this assurance to be $1.5 million, applying a 10% annual discount rate for three years. The total consideration received by LookSmart shareholders GLC therefore determined to be $2.1 million ($600,000 plus $1.5 million), which exceeds the $1.85 million which the LookSmart shareholders are maximally giving up in the merger.

GLC concludes the Merger is fair, from a financial point of view, to the shareholders of LookSmart.

Independent of its engagement to provide a fairness opinion with respect to the Merger to the Board of Directors of LookSmart, GLC was engaged in November 2014 to assist the Clickable subsidiary of LookSmart in raising capital for that subsidiary. To date, GLC has been paid a $10,000 retainer in connection with that engagement, which is ongoing. GLC has not otherwise served as investment banker for LookSmart or any of its affiliates.

The Company had previously retained GLC to represent its Clickable business line in a private placement offering. That offering has been suspended pending the successful closing of the Reverse Split, the Spin-Off and the Merger transactions.

Interests of LookSmart's Directors and Officers in the Merger

As of the Record Date, the directors and executive officers of LookSmart as a group owned and were entitled to vote ________ shares of the common stock of the Company, representing approximately ____% of the outstanding shares of LookSmart common stock on that date. LookSmart expects that its directors and executive officers will vote their shares in favor of the reverse split proposal, the spin-off proposal and the merger proposal, but none of the Company's directors or executive officers other than Michael Onghai has entered into any agreement obligating any of them to do so.

Besides the equity ownership of LookSmart detailed above, the directors and executive officers of the Company do not have interests different than the other stockholders of LookSmart.

The Voting Agreement

In connection with their entry into the Merger Agreement, LookSmart, Pyxis and Michael Onghai, entered into a voting agreement, which is referred to herein as the "**Voting Agreement**." The Voting Agreement generally requires that Mr. Onghai, in his capacity as a stockholder of LookSmart, vote all of his shares of LookSmart common stock in favor of the reverse split proposal, the spin-off proposal and the merger proposal, unless doing so would violate his fiduciary duties as an executive officer and member of the board of directors of the Company. As of the Record Date, the Mr. Ongahi beneficially held ________ shares of LookSmart common stock, representing approximately ____% of the outstanding shares of the Company's common stock, of which ____________ shares are either held of record by the Mr. Onghai as of the Record Date or over which he possesses voting rights and are therefore in either case subject to the Voting Agreement.

Treatment of Stock Options and Warrants

At the Effective Time, there shall be no outstanding options or warrants to purchase capital stock of LookSmart.

Appraisal Rights

LookSmart stockholders do not have appraisal rights in connection with the Reverse Split, the Spin-Off or the Merger under the DGCL.

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Material Marshall Islands Tax Considerations

In the opinion of Seward & Kissel LLP, under current Marshall Islands law, we will not be subject to Marshall Islands income tax as a result of the transactions described in the Merger Agreement and our stockholders will not be subject to any Marshall Islands income withholding or capital gains by reason of such transactions.

Material United States Federal Income Tax Considerations

The following discussion sets forth the material U.S. Federal income tax consequences to our stockholders of the following transactions described in the Merger Agreement: (i) the distribution of stock in Holdco to the stockholders (following the transfer of all of the Company's assets to Holdco), and (ii) the exchange by the stockholders of their stock in the Company for stock in Pyxis. The following discussion also sets forth the material federal tax consequences to the Company on the spin-off of Holdco to the stockholders to the extent that those consequences may affect the stockholders.

This discussion is limited to stockholders who are U.S. Holders (as defined below) of our common stock who hold such stock as a capital asset for Federal income tax purposes. This discussion is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury Regulations promulgated thereunder, judicial decisions, and the current administrative rules, practices and interpretations of law of the U.S. Internal Revenue Service ("**IRS**"), all as in effect on the date of this document, and all of which are subject to change, possibly with retroactive effect. This discussion does not address all aspects of Federal income taxation that may be important to particular holders in light of their individual investment circumstances. Unless specifically stated otherwise, this discussion does not apply to the following holders, even if they are U.S. Holders, all of whom may be subject to tax rules that differ significantly from those summarized below: (i) holders who may be subject to special tax rules, including, without limitation, partnerships (including any entity or arrangement treated as a partnership for Federal income tax purposes); (ii) dealers in securities or foreign currency, foreign persons, insurance companies, tax-exempt organizations, banks, financial institutions, and broker-dealers; and (iii) holders of warrants or other convertible securities entitling them to receive stock, holders who acquired common stock pursuant to the exercise of compensatory stock options or otherwise as compensation, or holders who hold common stock as part of a hedge, straddle, conversion, constructive sale or other integrated security transaction.

We have not sought, and will not seek, a ruling from the IRS regarding the Federal income tax consequences of these transactions. This discussion is based on varying interpretations that could result in U.S federal income tax consequences different from those described below. The following discussion does not address the tax consequences of this offering or the related share issuance under foreign, state, or local tax laws, or the alternative minimum tax provisions of the Code. Accordingly, each U.S. holder of common stock is urged to consult his, her or its (hereinafter, "his") tax advisor with respect to the particular tax consequences of these transactions.

For purposes of this discussion, a "**U.S. holder**" is a holder who is for U.S. federal income tax purposes: (i) a citizen or resident of the U.S.; (ii) a corporation or other entity taxable as a corporation that is organized in or under the laws of the U.S., 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 a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust (or if the trust was in existence on August 20, 1996, and validly elected to continue to be treated as a U.S. trust).

THIS IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE. THE U.S. FEDERAL INCOME TAX TREATMENT OF THESE TRANSACTIONS IS COMPLEX. ACCORDINGLY, EACH STOCKHOLDER WHO IS A U.S. HOLDER IS STRONGLY URGED TO CONSULT HIS OWN TAX ADVISER WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN INCOME, ESTATE AND OTHER TAX CONSEQUENCES OF THE TRANSACTIONS WITH SPECIFIC REFERENCE TO SUCH PERSON'S PARTICULAR FACTS AND CIRCUMSTANCES.

Distributions of Stock in Holdco

The distribution to our stockholders of interests in Holdco will be a taxable event to each Stockholder. The value of the interests in the Holdco stock received by each stockholder will be applied first to reduce the stockholder's basis in his stock in LookSmart; any value of those interests in excess of the stockholder's basis in LookSmart stock will be a capital gain to the stockholder. Any capital gain will be long-term capital gain, taxable at favorable capital gains rates, if the Stockholder has held his LookSmart stock for more than a year at the time of the distribution; otherwise, any gain will be short-term capital gain taxable at ordinary income tax rates.

The foregoing discussion assumes that the Company does not, at the time of the distribution, have current or accumulated earnings and profits ("earnings and profits"). According to the books of the Company, the Company has no accumulated earnings and profits. If the Company has any current earnings and profits, then (i) the distribution of the interests in Holdco will be treated as a dividend distribution to each stockholder to the extent of the stockholder's pro rata share of the Company's current earnings and profits; and (ii) the value of the distribution, if any, in excess of the stockholder's pro rata share of current earnings and profits will be treated in the manner described in the preceding paragraph.

If a stockholder’s basis in his LookSmart stock is greater than the value of the interests in Holdco received by the stockholder, the stockholder will not recognize a capital loss. However, as discussed in the next section (*“Exchange of Company Shares for Pyxis Shares”*), a stockholder may recognize a capital loss on the exchange of his shares in LookSmart for stock in Pyxis.

The tax consequences of the distribution of Holdco, and of the exchange of LookSmart stock for Pyxis stock (as described below), are complex and not free from doubt. We have provided what we believe are the most likely consequences. Stockholders may wish to consult their own tax advisors on the tax consequences of these transactions.

Exchange of Company Shares for Pyxis Shares

The exchange by a stockholder of shares in LookSmart for shares of stock in Pyxis will be a taxable event to the stockholder. The stockholder will realize a capital gain to the extent that the value of the Pyxis stock received by the stockholder exceeds the stockholder’s basis in his LookSmart stock (a stockholder’s basis in LookSmart stock may be reduced by the value of the Holdco interests distributed to the stockholder, as described in *“Distributions of Stock in Holdco”*, above). Any gain will be long-term capital gain if the stockholder has held his LookSmart stock for more than one year; otherwise any gain will be short-term capital gain. If the stockholder’s basis in his LookSmart stock (determined after applying any reduction in basis described in “Distributions of Stock in Holdco”, above) exceeds the value of the Pyxis stock received by the stockholder, the stockholder will recognize a capital loss to the extent of the excess.

Net Investment Income Tax

The net investment income tax (the Medicare Tax on Unearned Income) – a tax of 3.8% on certain kinds of investment income – will apply to (i) any portion of the distribution of the stock of Holdco that is treated as a dividend (see the discussion in the second paragraph of “*Distributions of Stock in Holdco*”, above), and (ii) any capital gains recognized by a stockholder on the exchange of his LookSmart stock for Pyxis stock (see the discussion of capital gains under “*Exchange of Company Shares for Pyxis Shares*”), above.

The net investment income tax also appears to apply to any capital gain recognized by the stockholders on the distribution of Holdco stock to them (see the first paragraph of “Distributions of Stock in Holdco”, above) but the treatment of such capital gain under the net investment income rules is not entirely clear. Stockholders should consult their own tax advisors with respect to the applicability of the net investment income tax to such gains.

The net investment income tax applies to individual taxpayers who file joint returns and report adjusted gross income in excess of $250,000 ($125,000 in the case of married taxpayers filing separate returns), and to single taxpayers who report adjusted gross income in excess of $200,000. The net investment income tax also applies to estates and trusts with adjusted gross income in excess of approximately $7,500.

Company Tax Liability Due to the Spin-Off

The Company will recognize gain on (i) the transfer of its subsidiaries and other assets to Holdco if Holdco assumes liabilities of the Company in excess of the Company's adjusted bases in the subsidiaries and other assets transferred to Holdco and (ii) the distribution of Holdco interests to the stockholders if Holdco has a fair market value in excess of the Company's adjusted basis in Holdco. According to the Company's books, the Company's liabilities do not exceed its basis in the assets being transferred to Holdco. However, Holdco's value may exceeds the Company's adjusted basis in Holdco. Any such gain would be added to the Company's other income in determining the Company's taxable income (taking into account the Company's deductible expenses, credits, and allowable net operating loss carryforwards) and its tax liability, if any. The Company expects that any such gain would be offset by its other expenses and by its allowable net operating loss carryforwards, so that the Company would owe no tax as a result of these transactions, but there is no certainty that that would be the case.

If the Company did incur a tax as a result of the Spin-Off (or for any other reason), it is expected that, following the Merger, the Company will not have sufficient assets to pay any such tax. Under the Merger Agreement, Holdco and the Company's subsidiaries transferred to Holdco will indemnify Pyxis against liability for any such taxes. Accordingly, it is expected that Holdco (or the subsidiaries transferred to Holdco) will pay any tax owed by the Company as a result of the Spin-Off.

Please see the discussion in the next section, "*Stockholders' Transferee Liability for Company Taxes*".

Stockholders' Transferee Liability for Company Taxes

Any taxes owed or accrued by the Company as of (and including) the date of distribution of the interests in Holdco (including any tax arising as a result of the distribution of Holdco's stock, as discussed in the previous section, "*Company Tax Liability Due to the Spin-Off*"), will be the primary responsibility of the Company. However, as noted above, the Company is not expected to have any assets following the Merger, and Holdco (and its subsidiaries) have agreed to indemnify Pyxis against any such liability. If for any reason the Company does not pay any portion of such tax (or if Holdco or the subsidiaries transferred to Holdco fail to pay such tax under their indemnification agreements), a stockholder who receives a distribution of interests in Holdco (or who receives any other property from the Company) could be liable, under the theory of transferee liability, for the Company's taxes. Such liability would be limited to the value of the property that the stockholder receives in the distribution.

Transferee liability arises when a corporation distributes all of its property to its stockholders and, as a result thereof, has insufficient funds with which to pay any taxes that it owes (or expects to owe) at that time. The Company does not expect to have any tax liability as of the date of distribution of Holdco or to incur any tax as a result of the distribution. However, if a liability arises and is not paid by the Company or Holdco, the IRS could collect such tax from the stockholders.

Information Reporting and Backup Withholding

Payments of proceeds from the distribution of Holdco to a stockholder, and the exchange of Company stock for Pyxis stock, may be subject to information reporting to the IRS and, possibly, U.S. federal backup withholding. Backup withholding will not apply if the stockholder furnishes a correct taxpayer identification number (certified on the IRS Form W-9) or otherwise establishes that he is exempt from backup withholding. Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against the stockholder's U.S. federal income tax liability. The stockholder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS and furnishing any required information. Since any backup withholding required in connection with the distribution of Holdco stock would in effect be a cash obligation imposed on the Company (since no withholdable cash is being distributed), the Company does not intend to distribute Holdco stock to any stockholder who has not provided the Company with a Form W-9 or otherwise established an exemption from backup withholding.

Regulatory Approvals Required for the Merger

The Merger and the transactions contemplated by the Merger Agreement are not subject to any additional federal or state regulatory requirement or approval, except for filings with the State of Delaware necessary to effectuate the transactions contemplated by the Merger Agreement.

Risk Factors

In evaluating the proposals to be presented at the Special Meeting, a stockholder should carefully read this proxy statement/prospectus and especially consider the factors discussed in the section entitled “*Risk Factors*.”

Conditions to Closing of the Merger

The Company’s, Pyxis’ and the Merger Sub’s obligations to consummate the transactions contemplated by the Merger Agreement are conditioned upon, among other things:

- the Reverse Split having been duly approved, adopted and implemented by the Company’s stockholders by the requisite vote under the laws of Delaware;
- the Spin-Off having been duly approved, adopted and implemented by the Company’s stockholders by the requisite vote under the laws of Delaware;
- the Merger Agreement and the Merger having been duly approved and adopted by the Company’s and Pyxis stockholders by the requisite vote under the laws of Delaware and Marshall Islands, respectively;
- no government entity having enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, injunction, decree, executive order or award which is then in effect and which has the effect of making the Merger or the transactions contemplated thereby illegal or otherwise prohibiting consummation of the Merger;
- the Pyxis common stock being authorized for listing on the NASDAQ or the NYSE MKT, subject to official notice of issuance; and
- the proxy statement/prospectus being declared effective and no stop order suspending the effectiveness of the proxy statement/prospectus being issued and no proceeding initiated by the SEC.

Termination

The Merger Agreement may be terminated at any time, but not later than the closing, as follows:

- by mutual written consent of the Company and Pyxis, duly authorized, or by mutual action of their respective boards of directors;
- by either the Company or Pyxis if the transactions contemplated by the Merger Agreement are not consummated on or before October 31, 2015, provided that the right to terminate will not be available to any party whose failure to fulfill any material obligation was the cause of or resulted in the failure of the transactions contemplated by the Merger Agreement to be consummated by such date;
- by either the Company or Pyxis if any governmental authority shall have enacted, issued, promulgated, enforced or entered any order, law, rule regulation, judgment, injunction, decree or ruling which has become final and nonappealable, and which permanently restrains, enjoins or otherwise prohibits the transactions contemplated by the Merger Agreement;
- by either the Company or Pyxis if the other party has breached any of its covenants, agreements or representations and warranties (and has not cured its breach within 30 days of the giving of notice of such breach);
- by Pyxis if, at the Special Meeting, the Reverse Split, the Spin-Off or the Merger shall fail to be approved by holders of Company's common stock, or if the Company fails to hold the Special Meeting within 60 days of the date of the execution of the Merger Agreement, unless such failure is as a result of the Company responding in good faith to comments received from the SEC; or
- by the Company if its board of directors recommends to its stockholders an alternative transaction based on an unsolicited superior proposal, or resolves to do so, or enters into any letter of intent or similar binding document or any agreement accepting such a superior proposal.

Termination Fees and Expenses

In the event of proper termination by either the Company or Pyxis, the Merger Agreement will be of no further force or effect and the Merger will be abandoned, except that if the Merger Agreement is terminated due to (i) the proposals herein not being approved, or (ii) a breach by LookSmart of its covenants, agreements or representations and warranties (and has not cured its breach within 30 days of the giving of notice of such breach), then the Company shall immediately repay Pyxis the $600,000 received upon execution of the Merger Agreement plus legal and accounting fees incurred by Pyxis (up to $450,000 in fees) (collectively, the "Break-up Fees"), and if the Merger Agreement is terminated because the board of directors of LookSmart withdraws its recommendation of the Merger or approves an alternative proposal or enters into a superior proposal, then in addition to the Break-up Fees an additional fee of $450,000 shall also be paid to Pyxis.

Post-Merger Board of Directors of Pyxis

Following the Merger, the five members of the board of directors of Pyxis are expected to be Valentios ("Eddie") Valentis, Basil G. Mavroleon, Aristides J. Pittas, Robin P. Das and LookSmart's designee Robert Ladd. Pyxis' board of directors will be staggered, with at least three members of the board of directors of Pyxis being independent at any given time.

RISK FACTORS

You should carefully consider the following risk factors, together with the other information contained in this proxy statement/prospectus, including the factors discussed in Part I, Item 1A—Risk Factors in LookSmart's annual report on Form 10-K for the year ended December 31, 2014. The risks described below relate to the Reverse Split, the Spin-Off and the Merger, and are in addition to, and should be read in conjunction with, without limitation, the factors discussed in Part I, Item 1A—Risk Factors in LookSmart's annual report on Form 10-K for the year ended December 31, 2014. If any of the following risks and uncertainties develops into actual events, these events could have a material adverse effect on both LookSmart's and Pyxis' businesses, financial conditions or results of operations. In addition, past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods.

Risks Related to the Reverse Split, the Spin-Off and the Merger

Completion of the Reverse Split, the Spin-Off and the Merger is subject to a number of conditions and if these conditions are not satisfied or waived, such transactions will not be completed.

LookSmart's obligation and the obligation of Pyxis to complete the Merger are subject to satisfaction or waiver of a number of conditions, including, among others:

- approval and completion of the Reverse Split;
- approval and completion of the Spin-Off;
- approval of the Merger by LookSmart's stockholders;
- receipt of opinions of counsel;
- absence of injunctions or certain legal impediments;
- approval for the listing on NASDAQ or NYSE MKT of the shares of Pyxis' common stock to be issued in the Merger; and

- accuracy of the representations and warranties with respect to each of the foregoing transactions, subject to certain materiality thresholds.

There can be no assurance that the conditions to closing of the Merger Agreement will be satisfied or waived or that the Merger itself will be completed.

Because certain compensation to be paid pursuant to the Merger Agreement is payable in Pyxis shares, and those shares are subject to adjustments, you may be required to decide whether or not to approve the transaction before knowing the actual amount of compensation you will receive in the Merger.

The exchange ratio of LookSmart shares to Pyxis shares as set forth in the Merger Agreement was determined by arm's length negotiations between the parties which resulted in a formula that provides that the Pyxis shares received by LookSmart shareholders as of the Closing Date will be worth $4,000,000 in the aggregate, subject to a number of adjustments as a result of stock splits, reverse stock splits, recapitalizations, reclassifications, stock dividends, changes in stock issued due to payment of fees in connection with the Merger, and certain other permitted issuances. As the approval of this transaction by the stockholders of LookSmart is a condition to the Merger, the exact exchange ratio will likely not be determined until after you must decide whether to approve this transaction. In addition, because of changes in the business, operations or prospects of Pyxis, market assessments of the likelihood that the merger will be completed and general market and other economic conditions prevailing after the stockholder meetings, the market value of the Pyxis common stock that LookSmart stockholders will actually receive in the Merger may differ from the market value of the shares of Pyxis common stock that the LookSmart stockholders would have received if the Merger had been consummated at the time the LookSmart stockholders made their decision whether to approve this transaction. In addition, since the price of Pyxis common stock will continue to fluctuate after the exchange ratio has been determined, the market value of the Pyxis common stock that holders of LookSmart common stock will receive as a result of the Merger may change after the date that the exchange ratio is determined, but before those shares actually are issued. Accordingly, it may be difficult to value the consideration to be received by LookSmart stockholders as a result of the Merger.

In addition, pursuant to the Merger Agreement, only LookSmart stockholders as of the Make Whole Record Date are eligible to receive certain compensation in the event that a Future Pyxis Offering is done at a lower per share valuation than the valuation ascribed to the shares of common stock received by LS stockholders pursuant to the Merger Agreement, or in the event that Pyxis does not conduct a Future Pyxis Offering. Any purchaser of LookSmart common stock after the Make Whole Record Date will not be entitled to said additional compensation. See "*The Merger – Make Whole Record Date*" beginning on page 79.

NASDAQ or NYSE MKT may not list or continue to list Pyxis' shares on its exchange, which could prevent consummation of the Merger or could limit investors' ability to make transactions in Pyxis' securities and subject Pyxis to additional trading restrictions.

Pyxis intends to apply to have its common shares listed on either NASDAQ or NYSE MKT upon consummation of the Merger, and it is a closing condition of the Merger that Pyxis' shares have been approved to be listed on either NASDAQ or NYSE MKT. Pyxis will be required to meet the initial listing requirements to be listed. Pyxis may not be able to meet those initial listing requirements. Even if Pyxis' securities are so listed, Pyxis may be unable to maintain the listing of its securities in the future. If Pyxis fails to meet the initial listing requirements and NASDAQ or NYSE MKT does not list its securities on its exchange, neither LookSmart nor Pyxis would be required to consummate the Merger. In the event that each of LookSmart and Pyxis elected to waive this condition, Pyxis and its stockholders could face significant material adverse consequences, including:

- a limited availability of market quotations for its securities;
- a limited amount of news coverage for the company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Failure to complete the Merger could negatively impact LookSmart's stock price, future business or operations.

If the Merger is not completed, LookSmart and Pyxis may be subject to a number of material risks, including the following:

- LookSmart may be required under certain circumstances to pay Pyxis a termination fee;
- the price of LookSmart's common stock may decline to the extent that the relevant current market price reflects a market assumption that the Merger will be completed;
- LookSmart may not have sufficient working capital to fund its operation on an ongoing basis;

- LookSmart may not have sufficient time to regain compliance under NASDAQ continued Listing Rule 5810(c)(3)(A) in order to avoid being delisted from the Nasdaq Capital Market; and

- costs related to the Merger, such as legal, accounting, certain financial advisory and financial printing fees, must be paid even if the Merger is not completed.

Further, if the Merger is terminated and either company's board of directors determines to seek another merger or business combination, there can be no assurance that it will be able to find a partner on terms as attractive as those provided for in the Merger Agreement. In addition, while the Merger Agreement is in effect and subject to very narrowly defined exceptions, LookSmart is prohibited from soliciting, initiating or encouraging or entering into certain extraordinary transactions, such as a merger, sale of assets or other business combination, other than with Pyxis.

The exercise of LookSmart's directors' and officers' discretion in agreeing to changes or waivers in the terms of Merger may result in a conflict of interest when determining whether such changes to the terms of the Merger or waivers of conditions are appropriate and in LookSmart's stockholders' best interest.

In the period leading up to the closing of the Merger, events may occur that, pursuant to the Merger Agreement, would require LookSmart to agree to amend the Merger Agreement, to consent to certain actions taken by Pyxis or to waive rights that LookSmart is entitled to under the Merger Agreement. Such events could arise because of changes in the course of Pyxis' business, a request by Pyxis to undertake actions that would otherwise be prohibited by the terms of the Merger Agreement or the occurrence of other events that would have a material adverse effect on Pyxis' business. In any of such circumstances, it would be at LookSmart's discretion, acting through its board of directors, to grant its consent or waive those rights. The existence of the financial and personal interests of the directors of LookSmart described in the preceding risk factors may result in a conflict of interest on the part of one or more of the directors between what he or they may believe is best for LookSmart and its stockholders and what he or they may believe is best for himself or themselves in determining whether or not to take the requested action.

As of the date of this proxy statement/prospectus, LookSmart does not believe there will be any changes or waivers that LookSmart's directors and officers would be likely to make after stockholder approval of the merger proposal has been obtained. While certain changes could be made without further stockholder approval, LookSmart will circulate a new or amended proxy statement/prospectus and resolicit LookSmart's stockholders if changes to the terms of the transaction that would have a material impact on its stockholders are required prior to the vote on the merger proposal.

Pyxis may not realize anticipated growth opportunities.

Pyxis expects that it will realize growth opportunities and other financial and operating benefits as a result of the Merger. Pyxis cannot predict with certainty if or when these growth opportunities and benefits will occur, or the extent to which they actually will be achieved. For example, the benefits from the Merger may be offset by costs incurred in obtaining or attempting to obtain regulatory approvals for the Merger, or as a result of being a public company. See "Risks Related to Pyxis Industry" for a fuller discussion of the risks relating to Pyxis following the Merger.

The distribution of stock in Holdco to our stockholders (following the transfer of our operating subsidiaries and other assets to Holdco) may generate a taxable gain to a stockholder if the fair market value of the Holdco stock received by the stockholder exceeds the stockholder's basis in our company's stock.

As the Company is not expected to have earnings and profits, any such gain would in all likelihood be a capital gain. The exchange by a stockholder of shares in our company for shares of stock in Pyxis may also be a taxable event to the stockholder if the fair market value of the Pyxis stock received by the stockholder exceeds the stockholder's basis in our company's stock. A stockholder's basis in our stock may be increased or decreased as a result of the distribution of the Holdco stock.

The net investment income tax (the Medicare Tax on Unearned Income) may apply to any gain recognized by the stockholder on the distribution of the Holdco stock or on the exchange of our company's stock for Pyxis stock. The Company may recognize a gain as a result of the transfer of its subsidiaries and other assets to Holdco and the distribution of the Holdco stock to our stockholders. Due to its other expenses and loss carry-forwards, the Company is not expected to incur a tax liability as a result of these transfers. However, following the Merger the Company is not expected to have sufficient assets to pay any tax that might arise, and under the terms of the Merger Agreement Holdco or the subsidiaries would be expected to pay any such tax. If a tax is due from the Company and is not paid by Holdco, a stockholder could be responsible for a portion of any such tax up to the value of the Holdco stock received by him. See "*Material U.S. Federal Income Tax Considerations*" for a fuller discussion of these and other tax considerations.

The Company and Pyxis will incur significant transaction-related costs in connection with the Reverse Split, the Spin-Off and the Merger.

The Company and Pyxis expect to incur a number of non-recurring costs associated with the Reverse Split, the Spin-Off and the Merger before, at, and after closing the Merger. The Company and Pyxis will also incur transaction fees and costs related to formulating and implementing post Spin-Off and Merger plans, including facilities and systems implementation costs and employment-related costs. The Company and Pyxis will continue to assess the magnitude of these costs, and additional unanticipated costs may be incurred in the Merger and, Pyxis in particular will assess these costs in relation to post-Merger activities.

Risks if the Adjournment Proposal is Not Approved

If the adjournment proposal is not approved, and an insufficient number of votes have been obtained to authorize the consummation of the Merger, LookSmart's board of directors will not have the ability to adjourn the Special Meeting to a later date in order to solicit further votes, and, therefore, the Merger will not be approved.

Our board of directors is seeking approval to adjourn the Special Meeting to a later date or dates if, at the Special Meeting, based upon the tabulated votes, there are insufficient votes to approve the consummation of the Reverse Split, the Spin-Off and the Merger. If the adjournment proposal is not approved, LookSmart's board will not have the ability to adjourn the Special Meeting to a later date and, therefore, will not have more time to solicit votes to approve the consummation of the Reverse Split, the Spin-Off and the Merger. In such event, the Reverse Split, the Spin-Off and the Merger would not be completed.

Additional Risks Related to LookSmart and/or Holdco

The value of your investment in Holdco following consummation of the Merger will be subject to the significant risks affecting Holdco and those inherent in the digital advertising industry. You should carefully consider the risks and uncertainties described below and other information included in this proxy statement/prospectus. If any of the events described below occur, the post-acquisition business and financial results of Holdco could be adversely affected in a material way. This could cause the price of Holdco's common shares to decline, perhaps significantly, and you therefore may lose all or part of your investment in Holdco. The following risk factors apply to the business and operations of LookSmart until the Spin-Off is completed and will also apply to the business and operations of Holdco following the Spin-Off. Accordingly, for the purposes of this section, the words "we," "us" and "our" refer to LookSmart prior to the consummation of the Spin-Off and to Holdco after the consummation of the Spin-Off.

Our financial results are highly concentrated in the online search advertising business; if we are unable to grow online search advertising revenues and find alternative sources of revenue, our financial results will suffer.

Search advertising accounted for substantially all of our revenues for the years ended December 31, 2014 and 2013. Our success depends upon search advertising customers choosing to use, and distribution network partners choosing to distribute, our search advertising networks products. Decisions by search advertising customers and distribution network partners not to adopt our products at projected rates, or changes in market conditions, may adversely affect the use or distribution of search advertisements. Because of our revenue concentration in the online search advertising business, such shortfalls or changes could have a negative impact on our financial results. Also, many of our products are offered to website publishers who use them to display or generate revenue from their online advertisements. If we are unable to generate significant revenue from our online advertising business or related business models under development, or if market conditions adversely affect the use or distribution of online advertisements generally, or for some of our larger customers specifically, our results of operations, financial condition and/or liquidity will suffer.

Our largest category of customers have historically been Intermediaries, the majority of whom purchase clicks to sell into the affiliate networks of large search engine providers. In 2014, we experienced a continued decrease in revenues due to loss of Intermediary business.

We operate in a large online search advertising ecosystem serving ads that target user queries on partner sites. We operate in the middle of this ecosystem, acquiring search queries from a variety of sources and matching them with the keywords of our search advertising customers. Our largest category of customers has historically been Intermediaries, the majority of which purchase clicks to sell into the affiliate networks of large search engine providers. The Intermediary business model experienced a significant change in the fourth quarter of 2011. Since then, we have seen our revenues from Intermediaries decreasing from prior levels, and have ceased doing business with a number of our Intermediary customers. We do not expect significant future revenue growth in this area. If we are unable to identify and exploit alternative sources of profitable revenue, our results of operations, financial condition and/or liquidity will suffer.

Our future success depends on sales to, and the management of, international customers.

A portion of our revenue is derived from sales to international customers who are headquartered internationally, however our business with them is primarily U.S. based and our transactions are primarily in U.S. dollars.

Managing our growing group of customers outside the U.S. presents various challenges, including, but not limited to:

- economic and political conditions;
- longer payment cycles;
- differences in the enforcement of intellectual property and contract rights in varying jurisdictions;
- our ability to develop relationships with local accounts;
- compliance with United States and international laws and regulations;
- fluctuations in foreign currency exchange rates; and
- our ability to secure and retain qualified people for the operation of our business.

To date, foreign exchange exposure from sales has not been material to our operations. Our activities with customers outside the United States may be affected by changes in trade protection laws, policies and measures, and other regulatory requirements affecting trade and investment, including the Foreign Corrupt Practices Act and local laws prohibiting corrupt payments. In addition, the laws of some foreign countries may not protect our intellectual property rights to the same extent as do the laws of the United States, which increases the risk of unauthorized use of our technologies. Our business could be materially adversely affected if foreign markets do not continue to develop, if we do not receive additional traffic suitable for our foreign accounts or if regulations governing our international businesses change.

We rely primarily on our distribution network partners to generate quality search queries and display advertisements that generate paid clicks; if we are unable to maintain or expand the scope and quality of this network, our ability to generate revenue may be seriously harmed.

The success of our online search advertisement products depends in large part on the size and quality of our distribution network of search queries. We may be unable to maintain or add partners of satisfactory quality in our distribution network at reasonable revenue-sharing rates, if at all. If we lose any significant portion of our distribution network, we would need to find alternative sources of quality click traffic to replace the lost paid clicks. In the past, we have lost portions of our distribution network and chose to remove those with poor quality. Although alternate sources of click traffic are currently available in the market, they may not be available at reasonable prices or may be of unacceptable quality. There is significant competition among advertising networks to sign agreements with traffic providers. We may be unable to negotiate and sign agreements with quality traffic providers on favorable terms, if at all. In order to attract higher quality traffic, we may have to pay high traffic acquisition costs which may adversely affect our gross margin and other financial results. If we are unable to attract higher quality traffic, or if we are otherwise unsuccessful in maintaining and expanding our distribution network, then our ability to generate revenue may be seriously harmed.

LookSmart generated net losses in 2014 and 2013, has had losses in the past, and Holdco may have further losses in the future. Failure to maintain operating profitability could harm our business and result in a decline in our stock price.

LookSmart had a net loss of $6.4 million in 2014 and $5.3 million in 2013. As of December 31, 2014, LookSmart’s accumulated deficit was approximately $259 million. We may be unable to achieve profitability in the foreseeable future. Our ability to achieve and maintain profitability will depend on our ability to generate additional revenue and contain our expenses. In order to generate additional revenue, we will need to expand our network of distribution network partners, increase the amount our search advertising customers spend on our advertising network, expand our advertiser base, experience an increase in paid clicks across our network and publisher products and develop and implement successful new digital advertising revenue generating models. We may be unable to accomplish some or any of these goals because of the risks identified in this report or for unforeseen reasons. Also, we may be unable to contain our costs due to the need to make revenue sharing payments to our distribution network partners, to invest in product development and to market our products. Historically, our operating expenses have increased in proportion to our revenue. Operating expenses may increase in the foreseeable future to the extent that our revenue grows and as we increase headcount, particularly our sales and technology-related headcount, incur general and administrative expenses associated with being a public company and expand our facilities. Additionally, our acquisition-related costs may increase if we pursue additional acquisition opportunities. Although we expect to achieve operating efficiencies and greater leverage of resources as we grow, because of the foregoing factors, and others outlined in this report, we may be unable to achieve profitability in the future, which could result in a decline in our stock price.

If we experience decreases to our match rate and/or revenue-per-click, or we are unable to rebuild our match rate, and/or revenue-per-click, our financial results may suffer.

We have experienced, and may continue to experience in the future, decreases in our average revenue-per-click ("**RPC**") and average match rate, which is the rate at which our paid listings are matched against search queries from distribution network partners. Future decreases in RPC or average match rate may occur for a variety of reasons, including a change in customer mix, the erosion of our advertiser base, a reduction in average advertiser spend, a reduction in the number of listings purchased by search advertising customers, a lower number of bids on keywords, changes in the composition of our distribution network or for other reasons. If our RPC or average match rate falls for any reason, or if we are unable to grow our RPC and average match rate, then we may be unable to achieve our financial projections and our stock price would likely suffer.

Our growth depends on our ability to retain and grow our search advertising customer base; if our search advertising customer base and average search advertising customer spend falls, our financial results will suffer.

Our growth depends on our ability to build a search advertising customer base that corresponds with the characteristics of our distribution network. Our distribution network, which currently consists of a diversified set of distribution sources, may change as new distribution sources are added and old distribution sources are removed. Search advertising customers may view these changes to the distribution network negatively, and existing or potential search advertising customers may elect to purchase fewer or no advertisements for display on our distribution network. If this occurs, it is likely that our average RPC and average match rate may decline and our stock price would likely suffer.

We have launched a solution that is dependent on our customers' use of search advertising. Any decrease in the use of search advertising or our inability to further penetrate mobile, social and display advertising channels would harm our business, growth prospects, operating results and financial condition.

We expect that search advertising will become a channel increasingly used by our customers in the foreseeable future. Should our customers lose confidence in the value or effectiveness of search advertising, the demand for our solutions may decline, which would harm our growth prospects, operating results and financial condition.

If we cannot increase the capacity of our advertising technology platform to meet advertiser demand, our business will be harmed.

We must be able to continue to increase the capacity of our technology platforms in order to support substantial increases in the number of advertisers, to support an increasing variety of advertising formats and to maintain a stable service infrastructure and reliable service delivery for advertising campaigns. If we are unable to efficiently and effectively increase the scale of our advertising platforms to support and manage a substantial increase in the number of advertisers, while also maintaining a high level of performance, the quality of our services could decline and our reputation and business could be seriously harmed. In addition, if we are not able to support emerging advertising formats or services preferred by advertisers, we may be unable to obtain new advertising clients or may lose existing advertising customers, and in either case our revenue could decline.

The market for digital advertising is relatively new and dependent on growth in various digital advertising channels. If this market develops more slowly or differently than we expect, our business, growth prospects and financial condition would be adversely affected.

The market for digital advertising products such as ours is relatively new and certain products in this new market may not achieve or sustain high levels of demand and market acceptance. The future growth of our business could be constrained by the level of acceptance and expansion of emerging digital advertising channels, as well as the continued use and growth of existing channels, such as search and display advertising. Advertisers and agencies may not make significant investments our solutions which manage advertisers’ digital advertising spend across publisher platforms and advertising channels. It is difficult to predict customer adoption rates, customer demand for our platform, the future growth rate and size of the digital advertising market or the entry of competitive products. Any expansion of the market for digital advertising management solutions depends on a number of factors, including the growth of the digital advertising market, the increased use of social media as an advertising channel and the cost, performance and perceived value associated with digital advertising management solutions. If our digital advertising products, including those in the social media space, do not achieve widespread adoption, or there is a reduction in demand for digital advertising caused by weakening economic conditions, decreases in corporate spending or otherwise, it could result in reduced usage, which could decrease revenues or otherwise adversely affect our business.

Our business depends on our ability to maintain the quality of our advertiser and developer content.

We must be able to ensure that our customers’ ads are not placed in publisher content that is unlawful or inappropriate. Likewise, publishers rely upon us not to distribute ads that are unlawful or inappropriate. If we are unable to ensure that the quality of our advertiser and publisher content does not decline as the number of advertisers and publishers we work with continues to grow, then our reputation and business may suffer.

If we are unable to attract new advertising customers and sell additional offerings to our existing customers, our revenue growth will be adversely affected.

To sustain or increase our revenue, we must add new advertisers and encourage existing advertisers (both of which are often represented by advertising agencies or other Intermediaries), to purchase additional offerings from us. As the digital advertising industry matures and as competitors introduce lower cost or differentiated products or services that compete with or are perceived to compete with ours, our ability to sell our solution to new and existing advertisers based on our offerings, pricing, technology platform and functionality could be impaired. Some advertisers that are repeat users of our solution tend to increase their spending over time. Conversely, some advertisers that are newer to our solution tend to spend less than, and may not return as frequently as, advertisers who have used our solution for longer periods of time. If we fail to retain or cultivate the spending of our newer, lower-spending advertisers, it will be difficult for us to sustain and grow our revenue from existing advertisers. Even with long-time advertisers, we may reach a point of saturation at which we cannot continue to grow our revenue from those advertisers because of internal limits that advertisers may place on the allocation of their advertising budgets to digital media, to particular campaigns, to a particular provider, or for other reasons not known to us. If we are unable to attract new advertisers or obtain new business from existing advertisers, our revenue growth and our business may be adversely affected.

If we do not introduce new and upgraded products and services and successfully adapt to our rapidly changing industry, our financial condition may suffer.

The online search advertising industry continues to evolve and we will need to continue developing new and upgraded products and services, and adapt to new business environments and competition in order to maintain and grow revenue and reach our profitability goals. New search advertising technologies could emerge that make our services comparatively less useful or new business methods could emerge that divert web traffic away from our advertising network. In addition, competition from other web businesses may prevent us from attracting substantial traffic to our services. We may inaccurately predict trends in the online search advertising market, which could lead us to make investments in technologies and products that do not generate sufficient returns. We may face platform and resource constraints that prevent us from developing upgraded products and services. We may fail to successfully identify new products or services, or fail to bring new products or services to market in a timely and efficient manner. Rapid industry change makes it difficult for us to accurately anticipate customer needs for our products, particularly over longer periods.

We may not be able to compete successfully against current and future competitors because competition in our industry is intense, and our competitors may offer solutions that are perceived by our customers to be more attractive than ours. These factors could result in declining revenue, or inability to grow our business.

Competition for our advertiser customers' advertising budgets is intense. We also expect competition to increase as the barriers to enter our market are low. Increased competition may force us to charge less for our solution, or offer pricing models that are less attractive to us and decrease our margins. Our principal competitors include companies that offer demand side and data management platforms that allow advertisers to purchase inventory directly from advertising exchanges or other third parties and manage and analyze their own consumer data, traditional advertising networks and advertising agencies themselves. We compete with large companies that provide paid placement products, paid inclusion products, and other forms of search marketing as well as contextually-targeted advertising products and other types of online advertisements. We compete for search advertising customers on the basis of the quality and composition of our network, the price-per-click ("**PPC**") charged to search advertising customers, the volume of clicks that we can deliver to search advertising customers, tracking and reporting of campaign results, customer service, and other factors. We also compete for distribution network partners and for ad placement on those partners' sites on the basis of the relevance of our ads and the PPC charged to search advertising customers. We also experience competition in offering our publisher products to website publishers. Some of our competitors have larger distribution networks and proprietary traffic bases, longer operating histories, greater brand recognition, higher RPC, better relevance and conversion rates, or better products and services than we have.

We compete with companies, such as Google, which are significantly larger than us and have more capital to invest in their advertising businesses. We also compete with in-house solutions used by companies who choose to coordinate advertising across their own properties, such as Facebook, Twitter, Yahoo! and Pandora. They, or other companies that offer competing advertising solutions, may establish or strengthen cooperative relationships with their partners, brand advertisers, app developers or other parties, thereby limiting our ability to promote our services and generate revenue. Competitors could also seek to gain market share from us by reducing the prices they charge to advertisers or by introducing new technology tools for developers. Moreover, increased competition for online advertising space from developers could result in an increase in the portion of advertiser revenue that we must pay to developers to acquire that advertising space.

Our business will suffer to the extent that our Intermediary and advertiser customers purchase and sell advertising directly from each other or through other companies that are able to become Intermediaries. For example, we are aware of companies that have substantial existing platforms for developers who had previously not heavily used those platforms for advertising campaigns. These companies could compete with us to the extent they expand into advertising. Other companies, such as large app developers with a substantial advertising business, may decide to directly monetize some or all of their advertising space without utilizing our services. Other companies that offer analytics, mediation, exchange or other third party services may also become Intermediaries between advertisers and publishers and thereby compete with us. Any of these developments would make it more difficult for us to sell our services and could result in increased pricing pressure, reduced profit margins, increased sales and marketing expenses or the loss of market share.

We have previously derived a portion of our revenues from display advertising. A decrease in the use of display advertising, or our inability to further penetrate display, search, and social advertising channels would harm our business, growth prospects, operating results and financial condition.

Historically, we have had customers use our solution for display advertising. We expect that display advertising will continue to be a significant channel used by our customers. Recently, the market for display advertising, excluding social, has been declining as overall display advertising growth has been driven by mobile, social and video advertising. Should our customers lose confidence in the value or effectiveness of display advertising, the demand for our display solution could decline. In addition, our failure to achieve market acceptance of our solution for social advertising would harm our growth prospects, financial condition and results of operations.

We do not have long-term commitments from our advertisers, and we may not be able to retain advertisers or attract new advertisers that provide us with revenue that is comparable to the revenue generated by any advertisers we may lose.

Most of our advertisers do business with us by placing insertion orders for particular advertising campaigns. If we perform well on a particular campaign, then the advertiser, or most often, the advertising agency representing the advertiser, may place new insertion orders with us for additional advertising campaigns. We rarely have any commitment from an advertiser beyond the campaign governed by a particular insertion order. As a result, our success is dependent upon our ability to outperform our competitors and win repeat business from existing advertisers, while continually expanding the number of advertisers for whom we provide services. In addition, it is relatively easy for advertisers and the advertising agencies that represent them to seek an alternative provider for their advertising campaigns because there are no significant switching costs. Agencies, with whom we do the majority of our business, often have relationships with many different providers, each of whom may be running portions of the same advertising campaign. Because we generally do not have long-term contracts, it may be difficult for us to accurately predict future revenue streams. We cannot provide assurance that our current advertisers will continue to use our solution, or that we will be able to replace departing advertisers with new advertisers that provide us with comparable revenue.

If we serve our advertisers' advertisements on undesirable websites, our reputation will suffer, which would harm our brand and reputation and negatively impact our business, financial condition and results of operations.

Our business depends in part on providing advertisers with a service that they trust. We take action in an effort to prevent advertisements from appearing on undesirable websites. We may distribute advertising to inventory that is objectionable to advertisers, and we may lose the trust of our advertiser customers, which would harm our brand and reputation and negatively impact our business, financial condition and results of operations.

If our access to quality advertising inventory is diminished or if we fail to have access to new advertising inventory, our revenue could decline and our growth could be impeded.

We must maintain a consistent supply of attractive advertising inventory, meaning the digital space on which we place advertising impressions, including websites, proprietary social networks, such as Facebook, and mobile applications. Our success depends on our ability to secure quality inventory on reasonable terms across a broad range of advertising networks and exchanges, including real time advertising exchanges, such as Google's DoubleClick Ad Exchange or AppNexus; suppliers of video and mobile inventory; and social media platforms, such as the Facebook Exchange, known as FBX.

The amount, quality and cost of inventory available to us can change at any time. Our suppliers are generally not bound by long-term contracts. As a result, we cannot provide any assurance that we will have access to a consistent supply of quality inventory. Moreover, the number of competing intermediaries that purchase advertising inventory from real-time advertising exchanges continues to increase, which could put upward pressure on inventory costs. If we are unable to compete favorably for advertising inventory available on real-time advertising exchanges, or if real-time advertising exchanges decide not to make their advertising inventory available to us, we may not be able to place advertisements at competitive rates or find alternative sources of inventory with comparable traffic patterns and consumer demographics in a timely manner. Furthermore, the inventory that we can access through real-time advertising exchanges may be of low quality or misrepresented to us, despite attempts by us and our suppliers to prevent fraud and conduct quality assurance checks.

Suppliers control the bidding process for the inventory they supply, and their processes may not always work in our favor. For example, suppliers may place restrictions on the use of their inventory, including restrictions that prohibit the placement of advertisements on behalf of certain advertisers. Through the bidding process, we may not win the right to deliver advertising to the inventory that we select and may not be able to replace inventory that is no longer made available to us.

If we are unable to maintain a consistent supply of quality inventory for any reason, our business, advertiser retention and loyalty, financial condition and results of operations would be harmed.

If our access to quality inventory in social media is diminished or if we fail to acquire new advertising inventory in social media, our growth could be impeded and our revenue could decline.

If we are unable to compete favorably for advertising inventory on Facebook’s FBX, our social media offering may not be successful. Also, we cannot provide assurance that Facebook will continue to make its advertising inventory available to us upon reasonable terms or at all, and we may not be able to replace the FBX advertising inventory with inventory that meets our advertisers’ specific goals with respect to social media. In addition, advertisers may prefer to work with companies that provide advertising on social media platforms other than FBX or that have a longer history of integration with social media platforms. If we are unable to run advertising campaigns on the FBX platform, integrate with social media platforms that may become available in the future or find alternative sources of quality social media inventory, our business could be harmed.

If mobile connected devices, their operating systems or content distribution channels, including those controlled by our competitors, develop in ways that prevent our advertising campaigns from being delivered to their users, our ability to grow our business will be impaired.

Our success in the mobile channel depends upon the ability of our technology platform to integrate with mobile inventory suppliers and provide advertising for most mobile connected devices, as well as the major operating systems that run on them and the thousands of applications that are downloaded onto them. The design of mobile devices and operating systems is controlled by third parties with whom we do not have any formal relationships. These parties frequently introduce new devices, and from time to time they may introduce new operating systems or modify existing ones. Network carriers may also impact the ability to access specified content on mobile devices. If our solution were unable to work on these devices or operating systems, either because of technological constraints or because an operating system or app developer, device maker or carrier wished to impair our ability to purchase inventory and provide advertisements, our ability to generate revenue could be significantly harmed.

If we do not deliver quality traffic that delivers value for advertisers, then our advertisers and our advertising partners may pay us less for their listing or discontinue listing with us altogether.

For our services to be successful, we need to deliver consumers to advertisers' websites that are valuable to such advertiser. If we do not meet advertisers' expectations by delivering quality traffic, then our advertising partners may pay us less per click or cease doing business with us altogether, which may adversely affect our business and financial results. We compete with other web search services, online publishers and high-traffic websites, as well as traditional media such as television, radio and print, for a share of our advertisers' total advertising expenditures. Many potential advertisers and advertising agencies have only limited experience advertising on the Internet and have not devoted a significant portion of their advertising expenditures to search advertising. Acceptance of our advertising offerings among our advertisers and advertising partners will depend, to a large extent, on its perceived effectiveness and the continued growth of commercial usage of the Internet. If we experience downward pricing pressure for our services in the future, our financial results may suffer.

We depend on publishers for advertising space to deliver our advertiser customers' advertising campaigns, and any decline in the supply of advertising inventory from these publishers could hurt our business.

We depend on publishers, both search and social media, to provide us with space (advertising inventory) into which to distribute advertisements. There is no contractually bound obligation to make advertising inventory available to us or our customers, or to provide us with a consistent supply of advertising inventory. Furthermore, there are tools that exist that parties could use which could result in pressure to increase the prices paid to publishers for that inventory or to otherwise block access to this inventory, without which we would be unable to facilitate the distribution of ads on behalf of our advertiser customers.

Publishers can change the amount of inventory they make available to us at any time. They may also change the price at which they offer inventory, or they may elect to make advertising space available to our competitors who offer ads to them on more favorable economic terms. In addition, publishers may place significant restrictions on use of their advertising inventory. These restrictions may prohibit ads from specific advertisers or specific industries, or they could restrict the use of specified creative content or format. Publishers may also use a fee-based or subscription-based business model to generate revenue from their content, in lieu of or to reduce their reliance on ads.

If publishers decide not to make advertising inventory available to us for any of these reasons, decide to increase the price of inventory, or place significant restrictions on our use of their advertising space, we may not be able to replace this with inventory from other publishers that satisfy our requirements in a timely and cost-effective manner. If this happens, our revenue could decline or our cost of acquiring inventory could increase.

We do not have long-term agreements with our advertiser customers, and we may be unable to retain key customers, attract new customers or replace departing customers with customers that can provide comparable revenue to us.

Our success requires us to maintain and expand our current advertiser customer relationships and to develop new relationships. Our contracts with our advertiser customers generally do not include long-term obligations requiring them to purchase our services and are cancelable upon short or no notice and without penalty. As a result, we may have limited visibility as to our future advertising revenue streams. We cannot assure you that our advertiser customers will continue to use our services or that we will be able to replace, in a timely or effective manner, departing customers with new customers that generate comparable revenue. If a major advertising customer representing a significant portion of our business decides to materially reduce its use of our platform or to cease using our platform altogether, our revenue could be significantly reduced. Advertisers in general may shift their business to a competitor’s platform because of new or more compelling offerings, strategic relationships, technological developments, pricing and other financial considerations, or a variety of other reasons, which could cause an immediate and significant decline in our revenue and harm our business.

Our acquisition of businesses and technologies may be costly and time-consuming; acquisitions may also dilute our existing stockholders.

From time to time we evaluate strategic corporate development opportunities and when appropriate, may make acquisitions of or significant investments in complementary companies or technologies to increase our technological capabilities expand our service offerings, or extend the operating scale of our network businesses. The pursuit of acquisitions, whether or not completed, as well as the completion of any acquisitions and their integration, may be expensive and may divert the attention of management from the day-to-day operations of the company. It may be difficult to retain key management and technical personnel of the acquired company during the transition period following an acquisition. Acquisitions or other strategic transactions may also result in dilution to our existing stockholders if we issue additional equity securities or increase our debt to pay for such acquisitions. We may also be required to amortize significant amounts of intangible assets, record impairment of goodwill in connection with future acquisitions, or divest non-performing assets at below-market prices, all of which would adversely affect our operating results. Integration of acquired companies and technologies into the company is likely to be expensive, time-consuming, and strain our managerial resources. We may not be successful in integrating any acquired businesses or technologies and these transactions may not achieve anticipated business benefits.

If we fail to make the right investment decisions in our offerings and technology platform, we may not attract and retain advertisers and advertising agencies and our revenue and results of operations may decline.

We compete for advertisers, which are often represented by advertising agencies, who want to purchase digital media for advertising campaigns. Our industry is subject to rapid changes in standards, technologies, products and service offerings, as well as in advertiser demands and expectations. We continuously need to make decisions regarding which offerings and technology to invest in to meet advertiser demand and evolving industry standards and regulatory requirements. We may make wrong decisions regarding these investments. For example, we expect advertisers to award us credit, or attribution, for impressions that generate specific consumer purchases or responses using certain criteria such as last ad clicked or viewed. Our technology considers these attribution models and if new attribution models are introduced by advertisers, we may need to make changes in our technology. If new or existing competitors offer more attractive offerings, we may lose advertisers or advertisers may decrease their spending on our solution. New advertiser demands, superior competitive offerings or new industry standards could render our existing solution unattractive, unmarketable or obsolete and require us to make substantial unanticipated changes to our technology platform or business model. Our failure to adapt to a rapidly changing market or to anticipate advertiser demand could harm our business and our financial performance.

Our acquisition of Syncapse and ShopWiki could have a negative impact on our business, or on our stock price.

In September 2013, we purchased the assets of Syncapse and in December 2014, we acquired ShopWiki. These acquisitions could disrupt our business in the following ways, any of which could negatively affect our stock price or could harm our financial condition, results of operations or business prospects:

- our customers and other third party business partners may seek to terminate or renegotiate their relationships as a result of our acquisition of Syncapse, whether pursuant to the terms of their existing agreements or otherwise;

- the attention of our management may be directed toward the integration of our businesses and related matters and may be diverted from our current business operations, including from other opportunities that might otherwise be beneficial to us; and

- current and prospective employees may experience uncertainty regarding their future roles with our company, which might adversely affect our ability to retain, recruit and motivate key personnel.

We may be unable to realize the benefits anticipated by the acquisition, including estimated cost savings and synergies, or it may take longer than we anticipate for us to achieve those benefits.

Our realization of the benefits anticipated as a result of the acquisition of the assets of Syncapse will depend in part on the integration and development of Syncapse's assets with ours. However, there can be no assurance that we will be able to operate a business using the Syncapse's assets profitably or integrate it successfully into our operations in a timely fashion, or at all. Following the acquisition, the size of the combined company's business is significantly larger than our business was prior to the acquisition. Our future success as a combined company depends, in part, upon our ability to manage this expanded business, which will pose substantial challenges for our management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. The dedication of management resources to this integration could detract attention from our current day-to-day business, and we cannot assure you that there will not be substantial costs associated with the transition process or other negative consequences as a result of these integration efforts. These effects, including, but not limited to, incurring unexpected costs or delays in connection with integration of the two businesses, or the failure of the business created using Syncapse's assets to perform as expected, could harm our results of operations.

If we fail to develop widespread brand awareness cost-effectively, our business may suffer.

We believe that developing and maintaining widespread awareness of our brand in a cost-effective manner is critical to achieving widespread acceptance of our products and attracting new customers. We expect sales and marketing expenses to increase as a result of our marketing and brand promotion activities. We may not generate customer awareness or increase revenues enough to offset the increased expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, or incur substantial marketing and sales expenses, which are not offset by increased revenues, we may fail to attract or retain customers necessary to realize a sufficient return on our brand-building efforts, or to achieve the widespread brand awareness that is essential for broad customer adoption of our solution.

Failure to adequately manage our growth may seriously harm our business.

We have in the past experienced, and may again in the future experience, significant growth in our business. If we do not effectively manage our growth, the quality of our services may suffer, which could negatively affect our reputation and demand for our services. Our growth has placed, and is expected to continue to place, a significant strain on our managerial, administrative, operational and financial resources and our infrastructure. Our future success will depend, in part, upon the ability of our senior management to manage growth effectively. This will require us to, among other things:

- implement additional management information systems;
- further develop our operating, administrative, legal, financial and accounting systems and controls;
- hire additional personnel;
- develop additional levels of management within our company;
- locate additional office space;
- maintain close coordination among our engineering, operations, legal, finance, sales and marketing and client service and support organizations; and
- manage our expanding international operations.

Moreover, as our sales increase, we may be required to concurrently deploy our services infrastructure at multiple additional locations or provide increased levels of customization. As a result, we may lack the resources to deploy our services on a timely and cost-effective basis. Failure to accomplish any of these requirements could impair our ability to deliver our mobile advertising platform in a timely fashion, fulfill existing client commitments or attract and retain new clients.

Our success depends on our ability to attract and retain key personnel; if we were unable to attract and retain key personnel in the future, our business could be materially and adversely impacted.

Our success depends on our ability to identify, attract, retain and motivate highly skilled development, technical, sales, and management personnel. We have a limited number of key development, technical, sales and management personnel performing critical company functions, and the loss of the services of any of our key employees, particularly any of our executive team members or key technical personnel, could adversely affect our business. The combination of stock volatility of Company stock and the Company's small market capitalization may not allow us to offer competitive equity based compensation to attract and retain key personnel.

If we do not attract additional sales and technology talent, we may not be able to sustain our growth or achieve our business objectives.

Our future success also depends on our ability to continue to attract, retain and motivate highly skilled managers and employees, particularly employees with technical skills that enable us to deliver effective mobile advertising solutions and sales, and client support representatives with experience in mobile and other digital advertising and strong relationships with brand advertisers and app developers. Competition for these employees in our industry is intense. As a result, we may be unable to attract or retain these management, technical, sales and client support personnel that are critical to our success, resulting in harm to our key client relationships, loss of key information, expertise or know-how and unanticipated recruitment and training costs. The loss of the services of our senior management or other key employees could make it more difficult to successfully operate our business and pursue our business goals.

We face capacity constraints on our software and infrastructure systems that may be costly and time-consuming to resolve.

We use proprietary and licensed software and databases to receive and analyze advertisements, campaigns and budgets, match search queries to advertising, analyze webpage information to match advertising to relevant content, integrate third-party ads, detect invalid clicks, serve ads in high volume, and track, analyze and report on advertising responses and campaigns. Any of these software systems may contain undetected errors, defects or bugs, or may fail to operate with other software applications. The following developments may strain our capacity and result in technical difficulties with our service or the websites of our distribution network partners:

- customization of our matching algorithms and ad serving technologies,
- substantial increases in the number of queries to our database,
- substantial increases in the number of searches in our advertising databases, or
- the addition of new products or new features or changes to our products.

If we experience difficulties with our software and infrastructure systems or if we fail to address these difficulties in a timely manner, we may lose the confidence of search advertisers and distribution network partners, our revenue may decline and our business could suffer. In addition, as we expand our service offerings and enter into new business areas, we may be required to significantly modify and expand our software and infrastructure systems. If we fail to accomplish these tasks in a timely manner, our business will likely suffer.

Our inability to use software licensed from third parties, or our use of open source software under license terms that interfere with our proprietary rights, could disrupt our business.

Our technology platform incorporates software licensed from third parties, including some software, known as open source software, which we use without charge. Although we monitor our use of open source software, the terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide our platform to our clients. While we monitor our use of open source software and try to ensure that none is used in a manner that would require us to disclose our source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur. In the future, we could be required to seek licenses from third parties in order to continue offering our platform, which licenses may not be available on terms that are acceptable to us, or at all. Alternatively, we may need to re-engineer our platform or discontinue use of portions of the functionality provided by our platform. In addition, the terms of open source software licenses may require us to provide software that we develop using such software to others on unfavorable license terms. We may be required to release our proprietary source code, pay damages for breach of contract, discontinue sales in the event re-engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from our development efforts. Our inability to use third party software could result in disruptions to our business, or delays in the development of future offerings or enhancements of existing offerings, which could impair our business.

If we fail to maintain adequate security and supporting infrastructure as we scale our systems, we may experience outages and disruptions of our services which could harm our brand and reputation and negatively impact our revenue and results of operations.

As we grow our business, we expect to continue to further invest in technology services, hardware and software, including data centers, network services, storage and database technologies. Creating the appropriate support for our technology platform, including Big Data and our computational infrastructure, is expensive and complex, and our execution could result in inefficiencies or operational failures and increased vulnerability to cyber-attacks, which, in turn, could diminish the quality of our services and our performance for advertisers. The steps we take to increase the reliability, integrity and security of our systems as they scale may be expensive and may not prevent system failures or unintended vulnerabilities resulting from the increasing number of persons with access to our systems, complex interactions within our technology platform and the increasing number of connections with third party partners and vendors' technology. Operational errors or failures or successful cyber-attacks could result in damage to our reputation and loss of current and new advertisers and other business partners which could harm our business. In addition, we could be adversely impacted by outages and disruptions in the online platforms of our key business partners, such as the real-time advertising exchanges, who we rely upon for access to inventory.

Our data center facility in Phoenix, Arizona is vulnerable to damage or service interruption resulting from human error, intentional bad acts, earthquakes, hurricanes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures and similar events. Moreover, while we have a disaster recovery plan in place, we do not maintain a "hot failover" instance of our software platform permitting us to immediately switch over in the event of damage or service interruption at our data center. The occurrence of a natural disaster or an act of terrorism, any outages or vandalism or other misconduct, or a decision to close the facility without adequate notice or other unanticipated problems could result in lengthy interruptions in our services.

Any changes in service levels at the facility or any errors, defects, disruptions or other performance problems at or related to the facility that affect our services could harm our reputation and may damage our customers' businesses. Interruptions in our services might reduce our revenues, subject us to potential liability, or result in reduced usage of our platform. In addition, some of our customer contracts require us to issue credits for downtime in excess of certain levels and in some instances give our customers the ability to terminate their subscriptions.

Our data and information systems and network infrastructure may be subject to hacking or other cyber security threats. If our security measures are breached and an unauthorized party obtains access to our customer data or our proprietary business information, our information systems may be perceived as being unsecure, which could harm our business and reputation, and our proprietary business information could be misappropriated which could have an adverse effect on our business and results of operations.

In our operations, we store and transmit our proprietary information and information related to our customers. Our operations are dependent upon the connectivity and continuity of our facilities and operations. Despite our security measures, our information systems and network infrastructure may be vulnerable to cyber-attacks or could be breached due to an employee error or other disruption that could result in unauthorized disclosure of sensitive information which has the potential to significantly interfere with our business operations. Breaches of our security measures could expose us to a risk of loss or misuse of this information, litigation and potential liability. Since techniques used to obtain unauthorized access or to sabotage information systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventive measures in advance of such an attack on our systems. In addition, if we select a vendor that uses cyber or "cloud" storage of information as part of their service or product offerings, despite our attempts to validate the security of such services, our proprietary information may be misappropriated by third parties. In the event of an actual or perceived breach of our security, or the security of one of our vendors, the market perception of the effectiveness of our security measures could be harmed and we could suffer damage to our reputation or our business, or lose existing customers and lose our ability to obtain new customers. Additionally, misappropriation of our proprietary business information could prove competitively harmful to our business.

Errors or failures in our software and systems could adversely affect our operating results and growth prospects.

We depend upon the sustained and uninterrupted performance of our technology platform to operate over 1,000 campaigns at any given time; manage our inventory supply; bid on inventory for each campaign; serve or direct a third party to serve advertising; collect, process and interpret data to optimize campaign performance in real time; and provide billing information to our financial systems. If our technology platform cannot scale to meet demand, or if there are errors in our execution of any of these functions on our platform, then our business could be harmed. Because our software is complex, undetected errors and failures may occur, especially when new versions or updates are made. We do not have the capability to test new releases or updates to our code on a small subset of campaigns, which means that bugs or errors in code could impact all campaigns on our platform. Despite testing by us, errors or bugs in our software have in the past, and may in the future, not be found until the software is in our live operating environment. For example, we may experience failures in our bidding system to recognize or respond to budget restrictions for campaigns, resulting in overspending on media, and we may in the future have failures in our systems that cause us to buy more media than our advertisers are contractually obligated to pay for, which could be costly and harm our operating results. Errors or failures in our software could also result in negative publicity, damage to our brand and reputation, loss of or delay in market acceptance of our solution, increased costs or loss of revenue, loss of competitive position or claims by advertisers for losses sustained by them. In such an event, we may be required or choose to expend additional resources to help mitigate any problems resulting from errors in our software. We may make errors in the measurement of our campaigns causing discrepancies with our advertisers' measurements leading to a lack in confidence with us or, on occasion, the need for advertiser "make-goods," the standard credits given to advertisers for campaigns that have not been delivered properly. Alleviating problems resulting from errors in our software could require significant expenditures of capital and other resources and could cause interruptions, delays or the cessation of our business, any of which would adversely impact our financial position, results of operations and growth prospects.

Software and components that we incorporate into our advertising platform may contain errors or defects, which could harm our reputation and hurt our business.

We use a combination of custom and third party software, including open source software, in building our advertising platforms. Although we test software before incorporating it into our platforms, we cannot guarantee that all of the third party technology that we incorporate will not contain errors, bugs or other defects. We continue to launch enhancements to our mobile advertising platform, and we cannot guarantee any such enhancements will be free from these kinds of defects. If errors or other defects occur in technology that we utilize in our mobile advertising platform, it could result in damage to our reputation and losses in revenue, and we could be required to spend significant amounts of additional resources to fix any problems.

If we do not comply with the financial covenants in our credit agreements, our financial condition could be adversely affected.

Our credit facilities contain provisions that could limit our ability to, among other things, incur, create or assume additional debt, sell or otherwise dispose of our or any of our subsidiaries' assets, or consolidate or merge with or into, or acquire the obligations or stock of, or any other interest in, another person. In addition, our credit facilities contain financial covenants that require us to maintain specified levels of tangible net worth and liquid assets. Our ability to meet those financial covenants can be affected by events beyond our control, and we may be unable to satisfy these covenants. If we fail to comply with these covenants, we may be required to identify restricted cash equal to our outstanding capital lease balance, if any, plus our outstanding standby letter of credit ("**SBLC**") or, in the event of default, we may be required to pay the lenders cash in an amount equal to the capital lease balance, if any is outstanding. Paying such cash balances could have a material adverse effect on the Company's financial condition.

Economic downturns and political and market conditions beyond our control could adversely affect our business, financial condition and results of operations.

Our business depends on the overall demand for advertising and on the economic health of our current and prospective advertisers. Economic downturns or instability in political or market conditions may cause current or new advertisers to reduce their advertising budgets. Adverse economic conditions and general uncertainty about economic recovery are likely to affect our business prospects. In particular, uncertainty regarding the budget crisis in the United States may cause general business conditions in the United States and elsewhere to deteriorate or become volatile, which could cause advertisers to delay, decrease or cancel purchases of our solution, This could expose us to increased credit risk on advertiser orders, which, in turn, could negatively impact our business, financial condition and results of operations. In addition, concerns over the sovereign debt situation in certain countries in the EU as well as continued geopolitical turmoil in many parts of the world have, and may continue to, put pressure on global economic conditions, which could lead to reduced spending on advertising.

Cyclical and seasonal fluctuations in the economy, in internet usage and in traditional retail shopping may have an effect on our business.

Both cyclical and seasonal fluctuations in internet usage and traditional retail seasonality may affect our business. Internet usage generally slows during the summer months, and queries typically increase significantly in the fourth quarter of each year. These seasonal trends may cause fluctuations in our quarterly results, including fluctuations in sequential revenue growth rates.

Seasonal fluctuations in advertising activity could adversely affect our cash flows.

Our cash flows from operations could vary from quarter to quarter due to the seasonal nature of our advertisers' spending. For example, many advertisers devote the largest portion of their budgets to the fourth quarter of the calendar year, to coincide with increased holiday purchasing. To date, these seasonal effects have been masked by our rapid revenue growth. However, if and to the extent that seasonal fluctuations become more pronounced, our operating cash flows could fluctuate materially from period to period as a result.

If we fail to prevent, detect and remove invalid search queries and clicks, we could lose the confidence of our search advertisers, thereby causing our business to suffer.

Invalid clicks are an ongoing problem for the Internet search advertising industry, and we are exposed to the risk of invalid clicks on customers' text advertisements coming from within our distribution network. Invalid clicks occur when a person or robotic software causes a click on a paid listing to occur for some reason other than to view the underlying content. Invalid clicks are commonly referred to as "click fraud." We continue to invest significant time and resources in preventing, detecting and eliminating invalid traffic from our distribution network. However, the perpetrators of click fraud have developed sophisticated methods to evade detection, and we are unlikely to be able to completely detect and remove all invalid traffic from our search network.

Currently and in the past we have been subject to advertiser complaints and litigation regarding invalid clicks, and we may be subject to search advertising customer complaints, claims, litigation or inquiries in the future. We have from time to time credited invoices or refunded revenue to our customers due to invalid traffic, and we expect to continue to do so in the future. If our systems to detect invalid traffic are insufficient, or if we find new evidence of past invalid clicks, we may have to issue credits or refunds retroactively to our search advertisers, and we may still have to pay revenue share to our distribution network partners. This could negatively affect our profitability and hurt our brand. If traffic consisting of invalid clicks is not detected and removed from our advertising network, the affected search advertising customers may experience a reduced return on their investment in our online advertising because the invalid clicks will not lead to conversions for the search advertising customers. This could lead the search advertisers to become dissatisfied with our products, which could lead to loss of search advertising customers and revenue and could materially and adversely affect our financial results.

We compete with many companies, some of whom are more established and better capitalized than us.

We compete with a variety of companies on a worldwide basis both through the Internet and in traditional markets. Many of these companies are larger and better capitalized than us. There are also few barriers to entry in our markets. Our competitors may develop services that are superior to, or have greater market acceptance than our services. For example, many of our current and potential competitors have longer operating histories, significantly greater financial, technical, marketing and other resources and larger customer bases than us. These factors may allow our competitors to respond more quickly than we can to new or emerging technologies and changes in customer requirements. Our competitors may engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies which may allow them to build larger client bases. In addition, current and potential competitors are making, and are expected to continue to make, strategic acquisitions or establish cooperative, and, in some cases, exclusive relationships with significant companies or competitors to expand their businesses or to offer more comprehensive products and services.

System failures could significantly disrupt our operations and cause us to lose advertiser customers or advertising inventory.

Our success depends on the continuing and uninterrupted performance of our own internal systems, which we utilize to distribute and place ads, monitor the performance of advertising campaigns and manage inventory of advertising space. Our revenue depends on the technological ability of our platforms to deliver ads and measure them on a per click basis. Sustained or repeated system failures that interrupt our ability to provide services to customers, including technological failures affecting our ability to deliver ads quickly and accurately and to process users' responses to ads, could significantly reduce the attractiveness of our services to advertisers and reduce our revenue. Our systems are vulnerable to damage from a variety of sources, including telecommunications failures, power outages, malicious human acts and natural disasters. In addition, any steps we take to increase the reliability and redundancy of our systems may be expensive and may not ultimately be successful in preventing system failures.

Any failure in the performance of our key production systems could materially and adversely affect our revenues.

Any system failure that interrupts our hosted products or services, whether caused by computer viruses, software failure, power interruptions, intruders, hackers, or other causes, could harm our financial results. For example, our system for tracking and invoicing clicks is dependent upon a proprietary software platform. If we lose key personnel or experience a failure of software, this system may fail. In such event, we may be unable to track paid clicks and invoice our customers, which would materially and adversely affect our financial results and business reputation. Moreover, our services are governed by Service Level Agreements that, if not met, require the payment of credits to our customers depending upon the level of service interruption.

The occurrence of a natural disaster or unanticipated problems at our principal headquarters or at a third-party data center could cause interruptions or delays in our business. A loss of data could render us unable to provide some services. Our California facilities exist on or near known earthquake fault zones and a significant earthquake could cause an interruption in our services. An interruption in our ability to serve advertisements, track paid clicks, bill and collect invoices, and provide customer support would materially and adversely affect our financial results.

Our business and operations depend on Internet service providers and third party technology providers, and any failure or system downtime experienced by these companies could materially and adversely affect our revenues.

Our distribution network partners and search advertising customers depend on Internet service providers, online service providers and other third parties for access to our services. These service providers have experienced significant outages in the past and could experience outages, delays and other operating difficulties in the future. The occurrence of any or all of these events could adversely affect our reputation, brand and business, which could have a material adverse effect on our financial results.

We have agreements with third-party click tracking and ad-serving technology providers. We do not presently maintain fully redundant click tracking, customer account, and web serving systems at separate locations. Accordingly, our operations depend on the ability of our data center to protect the systems in their data centers from system failures, earthquake, fire, power loss, water damage, telecommunications failure, hacking, vandalism, and similar events. We cannot guarantee that our Internet access will be uninterrupted, error-free or secure. Although we maintain property insurance and business interruption insurance, such insurance may not protect against some risks and we cannot guarantee that our insurance will be adequate to compensate us for all losses that may occur as a result of a catastrophic system failure. Also, if our third-party click tracking or ad-serving technology providers experience service interruptions, errors or security breaches, our ability to track, realize, and record revenue would suffer.

We may face liability for claims related to our products and services, and these claims may be costly to resolve.

Internet users, search advertisers, other customers, and companies in the Internet, technology and media industries frequently enter into litigation based on allegations related to defamation, negligence, personal injury, breach of contract, unfair advertising, unfair competition, invasion of privacy, patent infringement or other claims. Lawsuits are filed against us from time to time. As we enter foreign markets, our potential liability could increase. In addition, we are obligated in some cases to indemnify our customers or distribution network partners in the event that they are subject to claims that our services infringe on the rights of others.

Litigating these claims could consume significant amounts of time and money, divert management's attention and resources, cause delays in integrating acquired technology or releasing new products, or require us to enter into royalty or licensing agreements. Royalty or licensing agreements, if required, may not be available on acceptable terms, if at all. Our insurance may not adequately cover claims of this type, if at all. If a court were to determine that some aspect of our services infringed upon or violated the rights of others, we could be prevented from offering some or all of our services, which would negatively impact our revenue and business. For any of the foregoing reasons, litigation involving our listings business and technology could have a material adverse effect on our business, operating results and financial condition.

Our failure to protect our intellectual property rights could diminish the value of our services, weaken our competitive position and reduce our revenue.

We regard the protection of our intellectual property, which includes trade secrets, patents, copyrights, trademarks, domain names and patent applications, as critical to our success. We strive to protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. We enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with third parties with whom we conduct business in order to limit access to, and disclosure and use of, our intellectual property and proprietary information. However, these contractual arrangements and the other steps we have taken to protect our intellectual property may not prevent the misappropriation of our proprietary information or deter independent development of similar technologies by others.

We seek patent protection for certain of our technologies and currently have three issued U.S. patents. We are also pursuing the registration of our domain names, trademarks and service marks in the United States and in certain locations outside the United States. Effective trade secret, copyright, trademark, domain name and patent protection is expensive to develop and maintain, both in terms of initial and ongoing registration requirements and the costs of defending our rights. We may be required to protect our intellectual property in an increasing number of jurisdictions, a process that is expensive and may not be successful or which we may not pursue in every location. We may, over time, increase our investment in protecting our intellectual property through additional patent filings that could be expensive and time-consuming.

We have licensed in the past, and expect to license in the future, some of our proprietary rights, such as trademarks or copyrighted material, to third parties. These licensees may take unauthorized actions that diminish the value of our proprietary rights or harm our reputation.

Monitoring unauthorized use of our intellectual property is difficult and costly. Our efforts to protect our proprietary rights may not be adequate to prevent misappropriation of our intellectual property. Further, we may not be able to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. Our competitors may also independently develop similar technology. In addition, the laws of many countries, such as China and India, do not protect our proprietary rights to as great an extent as do the laws of European countries and the United States. Further, the laws in the United States and elsewhere change rapidly, and any future changes could adversely affect us and our intellectual property rights. Our failure to meaningfully protect our intellectual property could result in competitors offering services that incorporate our most technologically advanced features, which could seriously reduce demand for our mobile advertising services. In addition, we may in the future need to initiate infringement claims or litigation. Litigation, whether we are a plaintiff or a defendant, can be expensive, time-consuming and may divert the efforts of our technical staff and managerial personnel, which could harm our business, whether or not such litigation results in a determination that is unfavorable to us. In addition, litigation is inherently uncertain, and thus we may not be able to stop our competitors from infringing upon our intellectual property rights.

We could be subject to infringement claims that may be costly to defend, result in the payment of settlements or damages or cause us to change the way we conduct our business.

Internet, technology and media companies, as well as patent holding companies often possess a significant number of patents. Further, many of these companies and other parties are actively developing online advertising, search, indexing, electronic commerce and other Web-related technologies, as well as a variety of online business models and methods. We believe that these parties will continue to take steps to protect these technologies, including, but not limited to, seeking patent protection. As a result, we may face claims of infringement of patents and other intellectual property rights held by others. Also, as we expand our business, acquire and maintain our customer base, and develop new technologies, products and services, we may become increasingly subject to intellectual property infringement claims. In the event that there is a claim or determination that we infringe third-party proprietary rights such as patents, copyrights, trademark rights, trade secret rights or other third party rights such as publicity and privacy rights, we could incur substantial monetary liability, be required to enter into costly royalty or licensing agreements or be prevented from using the rights, which could require us to change our business practices in the future and limit our ability to compete effectively. We may also incur substantial expenses in defending against third-party infringement claims regardless of the merit of such claims. The occurrence of any of these results could harm our brand and negatively impact our operating results. In addition, many of our agreements with our customers, partners and affiliates require us to indemnify them for certain third-party intellectual property infringement claims or determinations, which could increase our costs in defending such claims and our damages.

Litigation, regulation, legislation or enforcement actions directed at or materially affecting us may adversely affect the commercial use of our products and services and our financial results.

New lawsuits, laws, regulations and enforcement actions applicable to the online industry may limit the delivery, appearance and content of our advertising or our publisher customers' advertisers or otherwise adversely affect our business. If such laws are enacted, or if existing laws are interpreted to restrict the types and placements of advertisements we or our publishers' customers can carry, it could have a material and adverse effect on our financial results. For example, in 2002, the Federal Trade Commission, in response to a petition from a private organization, reviewed the way in which search engines disclose paid placement or paid inclusion practices to Internet consumers and issued guidance on what disclosures are necessary to avoid misleading consumers about the possible effects of paid placement or paid inclusion listings on the search results. In 2003, the United States Department of Justice issued statements indicating its belief that displaying advertisements for online gambling might be construed as aiding and abetting an illegal activity under federal law. In 2004, the United States Congress considered new laws regarding the sale of pharmaceutical products over the Internet and the use of adware to distribute advertisements on the Internet. In 2007, the Federal Trade Commission proposed new regulations relating to online behavioral targeting. Moreover, as we enter into foreign markets, we may become subject to additional regulation and legislation. If any new law or government agency were to require changes in the labeling, delivery or content of our advertisements, or if we are subject to legal proceedings regarding these issues, it may reduce the desirability of our services or the types of advertisements that we can run, and our business could be materially and adversely harmed. In addition, many of our agreements with our customers, partners and affiliates require us to indemnify them for certain claims related to online advertising laws, regulations and enforcement actions, which could increase our costs in defending such claims and our damages.

In addition, legislation or regulations, including compliance with Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404"), present ongoing compliance risks, and a failure to comply with these new laws and regulations could materially harm our business. As we continue our Section 404 compliance efforts we may identify significant deficiencies, or material weaknesses, in the design and operation of our internal control over financial reporting. We may be unable to remediate any of these matters in a timely fashion, and/or our independent registered public accounting firm may not agree with our remediation efforts. Such failures could impact our ability to record, process, summarize and report financial information, and could impact market perception of the quality of our financial reporting, which could adversely affect our business and our stock price.

Furthermore, the Company is involved, from time to time, in various legal proceedings arising from the normal course of business activities. Although the results of litigation and claims cannot be predicted with certainty, the Company does not expect resolution of these matters to have a material adverse impact on its consolidated results of operations, cash flows or financial position unless stated otherwise. However, an unfavorable resolution of a matter could, depending on its amount and timing, materially affect its results of operations, cash flows or financial position in a future period. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense costs, diversion of management resources and other factors.

Activities of our advertiser customers could damage our reputation or give rise to legal claims against us.

Our advertiser customers' promotion of their products and services may not comply with federal, state and local laws, including, but not limited to, laws and regulations relating to mobile communications. Failure of our customers to comply with federal, state or local laws or our policies could damage our reputation and expose us to liability under these laws. We may also be liable to third parties for content in the ads we deliver if the artwork, text or other content involved violates copyrights, trademarks or other intellectual property rights of third parties or if the content is defamatory, unfair and deceptive, or otherwise in violation of applicable laws. Although we generally receive assurance from our advertisers that their ads are lawful and that they have the right to use any copyrights, trademarks or other intellectual property included in an ad, and although we are normally indemnified by the advertisers, a third party or regulatory authority may still file a claim against us. Any such claims could be costly and time-consuming to defend and could also hurt our reputation. Further, if we are exposed to legal liability as a result of the activities of our advertiser clients, we could be required to pay substantial fines or penalties, redesign our business methods, discontinue some of our services or otherwise expend significant resources.

Our business practices with respect to data could give rise to liabilities or reputational harm as a result of governmental regulation, legal requirements or industry standards relating to consumer privacy and data protection.

In the course of providing our services, we transmit and store information related to the ads we place. Federal, state and international laws and regulations can govern the collection, use, retention, sharing and security of data that we collect across our advertising platform. We strive to comply with all applicable laws, regulations, policies and legal obligations relating to privacy and data protection. However, it is possible that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. Any failure, or perceived failure, by us to comply with U.S. federal, state, or international laws, including laws and regulations regulating privacy, data security, or consumer protection, could result in proceedings or actions against us by governmental entities or others. We are aware of several ongoing lawsuits filed against companies in our industry alleging various violations of privacy-related laws. Any such proceedings could hurt our reputation, force us to spend significant amounts in defense of these proceedings, distract our management, increase our costs of doing business, adversely affect the demand for our services and ultimately result in the imposition of monetary liability. We may also be contractually liable to indemnify and hold harmless our clients from the costs or consequences of inadvertent or unauthorized disclosure of data that we store or handle as part of providing our services.

The regulatory framework for privacy issues worldwide is evolving, and various government and consumer agencies and public advocacy groups have called for new regulation and changes in industry practices. For example, in early 2012, the State of California entered into an agreement with several major mobile app platforms under which the platforms have agreed to require mobile apps to meet specified standards to ensure consumer privacy. Subsequently, in January 2013, the State of California released a series of recommendations for privacy best practices for the mobile industry. In January 2014, a California law also became effective amending the required disclosures for online privacy policies. It is possible that new laws and regulations will be adopted in the United States and internationally, or existing laws and regulations may be interpreted in new ways, that would affect our business.

As we expand our operations globally, compliance with regulations that differ from country to country may also impose substantial burdens on our business. In particular, the European Union has traditionally taken a broader view as to what is considered personal information and has imposed greater obligations under data privacy regulations. In addition, individual EU member countries have had discretion with respect to their interpretation and implementation of the regulations, which has resulted in variation of privacy standards from country to country. In January 2012, the European Commission announced significant proposed reforms to its existing data protection legal framework, including changes in obligations of data controllers and processors, the rights of data subjects and data security and breach notification requirements. The EU proposals, if implemented, may result in a greater compliance burden if we deliver ads to mobile device users in Europe. Complying with any new regulatory requirements could force us to incur substantial costs or require us to change our business practices in a manner that could compromise our ability to effectively pursue our growth strategy.

Privacy-related regulation of the Internet could limit the ways we currently collect and use personal information, which could decrease our advertising revenues or increase our costs.

Internet user privacy has become an issue both in the United States and abroad. The United States Congress and Federal Trade Commission are considering new legislation and regulations to regulate Internet privacy. The Federal Trade Commission and government agencies in some states and countries have investigated some Internet companies, and lawsuits have been filed against some Internet companies, regarding their handling or use of personal information. Any laws imposed to protect the privacy of Internet consumers may affect the way in which we collect and use personal information. We could incur additional expenses if new laws or court judgments, in the United States or abroad, regarding the use of personal information are introduced or if any agency chooses to investigate our privacy practices.

We, along with some of our distribution network partners or search advertising customers, retain information about our consumers. If others were able to penetrate the network security of these user databases and access or misappropriate this information, we and our distribution network partners or search advertising customers could be subject to liability. These claims may result in litigation, our involvement in which, regardless of the outcome, could require us to expend significant time and financial resources. In addition, many of our agreements with our customers, partners and affiliates require us to indemnify them for certain claims related to privacy laws, regulations and enforcement actions which could increase our costs in defending such claims and damages.

Legislation and regulation of online businesses, including privacy and data protection regimes, could create unexpected costs, subject us to enforcement actions for compliance failures, or cause us to change our technology platform or business model, which could have a material adverse effect on our business.

Government regulation could increase the costs of doing business online. U.S. and foreign governments have enacted or are considering legislation related to online advertising and we expect to see an increase in legislation and regulation related to advertising online, the use of geo-location data to inform advertising, the collection and use of anonymous Internet user data and unique device identifiers, such as IP address or unique mobile device identifiers, and other data protection and privacy regulation. Recent revelations about bulk online data collection by the National Security Agency, and news articles suggesting that the National Security Agency may gather data from cookies placed by Internet advertisers to deliver interest based advertising, may further interest governments in legislation regulating data collection by commercial entities, such as advertisers and publishers and technology companies that serve the advertising industry. Such legislation could affect the costs of doing business online, and could reduce the demand for our solution or otherwise harm our business, financial condition and results of operations. For example, a wide variety of provincial, state, national and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal data. While we have not collected data that is traditionally considered personal data, such as name, email address, address, phone numbers, social security numbers, credit card numbers, financial or health data, we may obtain information that are or may be considered personal data in some jurisdictions or otherwise may be the subject of legislation or regulation. Evolving and changing definitions of personal data, within the EU, the United States and elsewhere, could cause us in the future, to change our business practices, or limit or inhibit our ability to operate or expand our business. Data protection and privacy-related laws and regulations are evolving and could result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. While we take measures to protect the security of information that we collect, use and disclose in the operation of our business, and to offer certain privacy protections with respect to such information, such measures may not always be effective. In addition, while we take steps to avoid collecting personally identifiable information about consumers, we may inadvertently receive this information from advertisers or advertising agencies or through the process of delivering advertising. Our failure to comply with applicable laws and regulations, or to protect personal data, could result in enforcement action against us, including fines, imprisonment of our officers and public censure, claims for damages by consumers and other affected individuals, damage to our reputation and loss of goodwill, any of which could have a material adverse impact on our business, financial condition and results of operations. Even the perception of privacy concerns, whether or not valid, could harm our reputation and inhibit adoption of our solution by current and future advertisers and advertising agencies.

If the use of "third party cookies" is rejected by Internet users, restricted or otherwise subject to unfavorable regulation, our performance could decline and we could lose advertisers and revenue.

Advertisers and our partners use "cookies" (small text files) to gather important data in the delivery of advertisements. These cookies are placed through an Internet browser on an Internet user's computer and correspond to a data set. These cookies are known as "third party" cookies because of a lack of a direct relationship with the Internet user. These cookies collect anonymous information, such as when an Internet user views an ad, clicks on an ad, or visits one of our advertiser customer's websites. On mobile devices, there may also be location based information about the user's device. These cookies are used to help achieve our advertiser customer's campaign goals, to help ensure that the same

Internet user does not unintentionally see the same advertisement too frequently, to report aggregate information to advertisers regarding the performance of their advertising campaigns and to detect and prevent fraudulent activity throughout our network of inventory. Data from cookies are also used to help decide whether to bid on, and how much to bid on, an opportunity to place an advertisement in a certain location, at a given time, in front of a particular Internet user. A lack of data associated with cookies may detract from the ability to make decisions about which inventory to purchase for an advertiser's campaign, and undermine the effectiveness of our solution.

Cookies may easily be deleted or blocked by Internet users. All of the most commonly used Internet browsers (including Chrome, Firefox, Internet Explorer, and Safari) allow Internet users to prevent cookies from being accepted by their browsers. Internet users can also delete cookies from their computers at any time. Some Internet users also download "ad blocking" software that prevents cookies from being stored on a user's computer. If more Internet users adopt these settings or delete their cookies more frequently than they currently do, our business could be harmed. In addition, the Safari browser blocks cookies by default, and other browsers may do so in the future. Unless such default settings in browsers were altered by Internet users, we would be able to set fewer of our cookies in browsers, which could adversely affect our business. In addition, companies such as Google have publicly disclosed their intention to move away from cookies to another form of persistent unique identifier, or ID, to indicate Internet users in the bidding process on advertising exchanges. If companies do not use shared IDs across the entire ecosystem, this could have a negative impact on our ability to find the same anonymous user across different web properties, and reduce the effectiveness of our solution.

In addition, in the European Union, or EU, Directive 2009/136/EC, commonly referred to as the "Cookie Directive," directs EU member states to ensure that accessing information on an Internet user's computer, such as through a cookie, is allowed only if the Internet user has given his or her consent. We may not be able to develop or implement additional tools that compensate for the lack of data associated with cookies. Moreover, even if we are able to do so, such additional tools may be subject to further regulation, time consuming to develop or costly to obtain, and less effective than our current use of cookies.

Potential "Do Not Track" standards or government regulation could negatively impact our business by limiting access to the anonymous user data that informs the advertising campaigns we facilitate, and as a result could degrade our performance for our customers.

As the use of cookies has received ongoing media attention over the past three years, some government regulators and privacy advocates have suggested creating a "Do Not Track" standard that would allow Internet users to express a preference, independent of cookie settings in their web browser, not to have their website browsing recorded. All the major Internet browsers have implemented some version of a "Do Not Track" setting. Microsoft's Internet Explorer 10 includes a "Do Not Track" setting that is selected "on" by default. However, there is no definition of "tracking," no consensus regarding what message is conveyed by a "Do Not Track" setting and no industry standards regarding how to respond to a "Do Not Track" preference. It is possible that we could face competing policy standards, or standards that put our business model at a competitive disadvantage to other companies that collect data from Internet users, standards that reduce the effectiveness of our solution, or standards that require us to make costly changes to our solution. The Federal Trade Commission has stated that it will pursue a legislative solution if the industry cannot agree upon a standard. The "Do-Not-Track Online Act of 2013" was introduced in the United States Senate in February 2013. If a "Do Not Track" web browser setting is adopted by many Internet users, and the standard either imposed by state or federal legislation, or agreed upon by standard setting groups, requires us to recognize a “Do Not Track” signal and prohibits the use of non-personal data as currently done, then that could hinder growth of advertising and content production on the web generally, and limit the quality and amount of data we are able to store and use, which would cause us to change our business practices and adversely affect our business.

Our business involves the use, transmission and storage of confidential information, and the failure to properly safeguard such information could result in significant reputational harm and monetary damages.

We may at times collect, store and transmit information of, or on behalf of, our clients that may include certain types of confidential information that may be considered personal or sensitive, and that are subject to laws that apply to data breaches. We believe that we take reasonable steps to protect the security, integrity and confidentiality of the information we collect and store, but there is no guarantee that inadvertent or unauthorized disclosure will not occur or that third parties will not gain unauthorized access to this information despite our efforts to protect this information. If such unauthorized disclosure or access does occur, we may be required to notify persons whose information was disclosed or accessed. Most states have enacted data breach notification laws and, in addition to federal laws that apply to certain types of information, such as financial information, federal legislation has been proposed that would establish broader federal obligations with respect to data breaches. We may also be subject to claims of breach of contract for such disclosure, investigation and penalties by regulatory authorities and potential claims by persons whose information was disclosed. The unauthorized disclosure of information may result in the termination of one or more of our commercial relationships or a reduction in client confidence and usage of our services. We may also be subject to litigation alleging the improper use, transmission or storage of confidential information, which could damage our reputation among our current and potential clients, require significant expenditures of capital and other resources and cause us to lose business and revenue.

Online commerce security risks, including security breaches, identity theft, service disrupting attacks and viruses, could harm our reputation and the conduct of our business, which could have a material adverse effect on our financial results.

A fundamental requirement for online commerce and communications is the secure storage and transmission of confidential information over public networks. Although we have developed and use systems and processes that are designed to protect customer information and prevent fraudulent credit card transactions and other security breaches, our security measures may not prevent security breaches or identity theft that could harm our reputation and business. Currently, a significant number of our customers provide credit card and other financial information and authorize us to bill their credit card accounts directly for all transaction fees charged by us. We rely on encryption and authentication technology to provide the security and authentication to effect secure transmission of confidential information, including customer credit card numbers. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in a compromise or breach of the technology used by us to protect transaction data. In addition, any party who is able to illicitly obtain a user’s password could access the user’s transaction data. An increasing number of websites have reported breaches of their security. Any compromise of our security could damage our reputation and expose us to a risk of litigation and possible liability. The coverage limits of our insurance policies may not be adequate to reimburse us for losses caused by security breaches.

Additionally, our servers are vulnerable to computer viruses, physical or electronic break-ins, and similar disruptions, and we have experienced “denial-of-service” type attacks on our system that have made all or portions of our websites unavailable for periods of time. We may need to expend significant resources to protect against security breaches or to address problems caused by breaches. Disruptions in our services and damage caused by viruses and other attacks could cause a loss of user confidence in our systems and services, which could lead to reduced usage of our products and services and materially adversely affect our business and financial results.

Our data and information systems and network infrastructure may be subject to hacking or other cyber security threats. If our security measures are breached and an unauthorized party obtains access to our customer data or our proprietary business information, our information systems may be perceived as being unsecure, which could harm our business and reputation, and our proprietary business information could be misappropriated which could have an adverse effect on our business and results of operations.

In our operations, we store and transmit our proprietary information and information related to our customers. Our operations are dependent upon the connectivity and continuity of our facilities and operations. Despite our security measures, our information systems and network infrastructure may be vulnerable to cyber-attacks or could be breached due to an employee error or other disruption that could result in unauthorized disclosure of sensitive information which has the potential to significantly interfere with our business operations. Breaches of our security measures could expose us to a risk of loss or misuse of this information, litigation and potential liability. Since techniques used to obtain unauthorized access or to sabotage information systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventive measures in advance of such an attack on our systems. In addition, if we select a vendor that uses cyber or "cloud" storage of information as part of their service or product offerings, despite our attempts to validate the security of such services, our proprietary information may be misappropriated by third parties. In the event of an actual or perceived breach of our security, or the security of one of our vendors, the market perception of the effectiveness of our security measures could be harmed and we could suffer damage to our reputation or our business, or lose existing customers and lose our ability to obtain new customers. Additionally, misappropriation of our proprietary business information could prove competitively harmful to our business.

New tax treatment of companies engaged in Internet commerce may adversely affect the commercial use of our search service and our financial results.

Tax authorities at the international, federal, state and local levels are currently reviewing the appropriate tax treatment of companies engaged in Internet commerce. New or revised state tax regulations may subject us or our search advertising customers to additional state sales, income and other taxes. We cannot predict the effect of current attempts to impose sales, income or other taxes on commerce over the Internet. New or revised taxes and, in particular, sales taxes, would likely increase the cost of doing business online and decrease the attractiveness of advertising and selling goods and services over the Internet. Any of these events could have an adverse effect on our business and results of operations.

Our quarterly revenues and operating results may fluctuate for many reasons, which may make our future results difficult to predict and could cause our operating results to fall below investors' and analysts; expectations, negatively affecting our stock price.

Our revenues and operating results have fluctuated in the past, and will likely fluctuate significantly from quarter to quarter as a result of a variety of factors, many of which are beyond our control. Because our business is changing and evolving rapidly, our historical operating results may not be useful in predicting our future operating results. Factors that may cause fluctuations in our operating results include, without limitation:

- changes in the composition and size of our Advertiser Network customer base;
- changes in composition of our AdCenter customer base;
- the seasonal nature of our customers' spending on digital advertising campaigns;
- the pricing of advertising inventory or of other third-party services;
- changes in our distribution network, particularly the gain or loss of key distribution network partners, or changes in the implementation of search results on partner websites;
- changes in the intermediary business model which affect the entire online search advertising ecosystem;
- changes in the number of search advertising customers who do business with us, or the amount of spending per customer;
- the introduction of new technologies, product or service offerings by our competitors;
- changes in our customers' advertising budget allocations, agency affiliations or marketing strategies;

- the revenue-per-click we receive from search advertising customers, or other factors that affect the demand for, and prevailing prices of, Internet advertising and marketing services;
- changes to our traffic acquisition costs related to our Advertiser Network, including changes to the economic prospects of our advertisers generally, which could alter current or prospective advertisers' spending priorities and increase the time or costs required to complete sales with advertisers;
- changes and uncertainty in the regulatory environment for us or our advertisers;
- changes in the availability of advertising inventory through real-time advertising exchanges, or in the cost to reach end consumers through digital advertising;
- changes in our capital expenditures as we acquire the hardware, equipment and other assets required to support our business;
- costs related to the acquisition of people, business or technologies; and
- systems downtime on our Advertiser Network, our website or the websites of our distribution network partners.

Due to the above factors, we believe that period-to-period comparisons of our financial results are not necessarily meaningful, and you should not rely on past financial results as an indicator of our future performance. If our financial results in any future period fall below the expectations of securities analysts and investors, the market price of our securities would likely decline.

Our stock price is extremely volatile, and such volatility may hinder investors' ability to resell their shares for a profit or avoid a loss.

The stock market has experienced significant price and volume fluctuations in recent years, and the stock prices of Internet companies have been extremely volatile. The low trading volume of our common stock may adversely affect its liquidity and reduce the number of market makers and/or large investors willing to trade in our common stock, making wider fluctuations in the quoted price of our common stock more likely to occur. You should evaluate our business in light of the risks, uncertainties, expenses, delays and difficulties associated with managing and growing a business in a relatively new industry, many of which are beyond our control.

Our stock price may fluctuate, and you may not be able to sell your shares for a profit, as a result of a number of factors, including, without limitation:

- developments concerning proprietary rights, including patents, by us or a competitor;
- announcements by us or our competitors of significant contracts, acquisitions, commercial relationships, joint ventures or capital commitments;
- introductions of new services by us or our competitors;
- enactment of new government regulations affecting our industry;
- changes in the market valuations of Internet companies in general and comparable companies in particular;
- quarterly fluctuations in our operating results and changes in our financial conditions;
- the termination or expiration of our distribution agreements;
- our potential failure to meet our forecasts or analyst expectations on a quarterly basis;
- the relatively thinly traded volume of our publicly traded shares, which means that small changes in the volume of trades may have a disproportionate impact on our stock price;
- the loss of key personnel, or our inability to recruit experienced personnel to fill key positions;
- changes in ratings or financial estimates by analysts or the inclusion/removal of our stock from certain stock market indices used to drive investment choices;
- announcements of new distribution network partnerships, technological innovations, acquisitions or products or services by us or our competitors;
- the short selling of our stock;
- the sales of substantial amounts of our common stock in the public market by our stockholders, or the perception that such sales could occur; or
- conditions or trends in the Internet that suggest a decline in rates of growth of advertising-based Internet companies.

In the past, securities class action litigation has often been instituted after periods of volatility in the market price of a Company's securities. A securities class action suit against us could result in substantial costs and the diversion of management's attention and resources, regardless of the merits or outcome of the case.

We may need additional capital in the future to support our operations and, if such additional financing is not available to us, on reasonable terms or at all, our liquidity and results of operations will be materially and adversely impacted.

Unanticipated developments in the short term, such as the entry into agreements which require large cash payments or the acquisition of businesses with negative cash flows, may necessitate additional financing. We may seek to raise additional capital through public or private debt or equity financings in order to:

- fund the additional operations and capital expenditures;
- take advantage of favorable business opportunities, including geographic expansion or acquisitions of complementary businesses or technologies;
- develop and upgrade our technology infrastructure beyond current plans;
- develop new product and service offerings;
- take advantage of favorable conditions in capital markets; or
- respond to competitive pressures.

The capital markets, and in particular the public equity market for Internet companies, have historically been volatile. It is difficult to predict when, if at all, it will be possible for Internet companies to raise capital through these markets. We cannot assure you that the additional financing will be available on terms favorable to us, or at all. If we issue additional equity or convertible debt securities, our existing stockholders may experience substantial dilution.

The report of our independent registered public accounting firm expresses substantial doubt about the Company's ability to continue as a going concern.

Our auditors, Albert Wong & Co. LLP, have indicated in their report on the Company's financial statements for the fiscal year ended December 31, 2014 that conditions exist that raise substantial doubt about our ability to continue as a going concern due to our recurring losses from operations and negative working capital. A "going concern" opinion could impair our ability to finance our operations through the sale of equity, incurring debt, or other financing alternatives. Our ability to continue as a going concern will depend upon the availability and terms of future funding, continued growth in product orders and shipments, improved operating margins and our ability to profitably meet our after-sale service commitments with existing customers. If we are unable to achieve these goals, our business would be jeopardized and the Company may not be able to continue. If we ceased operations, it is likely that all of our investors would lose their investment.

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We do not anticipate paying any cash dividends on our common stock in the foreseeable future and our stock may not appreciate in value.

We have not declared or paid cash dividends on our common stock to date. We currently intend to retain our future earnings, if any, to fund the development and growth of our business. In addition, the terms of any existing or future debt agreements may preclude us from paying dividends. There is no guarantee that shares of our common stock will appreciate in value or that the price at which our stockholders have purchased their shares will be able to be maintained.

We will incur costs and demands upon management as a result of complying with the laws and regulations affecting public companies in the United States.

As a public company listed in the United States we incur significant legal, accounting and other expenses. In addition, changing laws, regulations and standards relating to corporate governance and public disclosure, including regulations implemented by the SEC and stock exchanges, may increase legal and financial compliance costs and make some activities more time consuming. These laws, regulations and standards are subject to varying interpretations and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If, notwithstanding our efforts to comply with new laws, regulations and standards, we fail to comply, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

Failure to comply with these rules might also make it more difficult for us to obtain some types of insurance, including director and officer liability insurance, and we might be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, on committees of our board of directors or as members of senior management

If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our operating results could fall below the expectations of investors and securities analysts, which could result in a decline in our stock price.

The preparation of financial statements in conformity with generally accepted accounting principles, or GAAP, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances (as described in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations”), the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Our operating results could be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions. If, as a result, our operating results fall below the expectations of investors and securities analysts, our stock price could decline. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, stock-based compensation, allowance for doubtful accounts, accounting for internal use software and income taxes.

Concentration of ownership of our common stock among our existing executive officers, directors and principal stockholders may prevent new investors from influencing significant corporate decisions.

As of December 31, 2014, our executive officers, directors and current beneficial owners of 5% or more of our common stock and their respective affiliates, in the aggregate, beneficially owned approximately 68% of our outstanding common stock. These persons, acting together, are able to significantly influence all matters requiring stockholder approval, including the election and removal of directors and any merger or other significant corporate transactions. The interests of this group of stockholders may not coincide with our interests or the interests of other stockholders. This concentration of ownership may have the effect of deterring, delaying or preventing a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

We depend on key persons and the loss of any key person could adversely affect our operations.

The future success of our business is dependent on our management team, including Michael Onghai, our Chief Executive Officer, and our professional team and employees. If one or more of our key personnel are unable or unwilling to continue in their present positions, we may not be able to easily replace them, and we may incur additional expenses to recruit and train new personnel. The loss of our key personnel could severely disrupt our business and its financial condition and results of operations could be materially and adversely affected. Furthermore, since our industry is characterized by high demand and intense competition for talent, we may need to offer higher compensation and other benefits in order to attract and retain key personnel in the future. We cannot assure investors that we will be able to attract or retain the key personnel needed to achieve our business objectives. In addition, we do not have in place “key person” life insurance policies on any of our employees. The loss of the services of key members of our professional team or employees could negatively affect our financial performance.

Provisions of Delaware corporate law and provisions of our charter and bylaws may discourage a takeover attempt.

Our charter and bylaws and provisions of Delaware law may deter or prevent a takeover attempt, including an attempt that might result in a premium over the market price for our common stock. Our board of directors has the authority to issue shares of preferred stock and to determine the price, rights, preferences and restrictions, including voting rights, of those shares without any further vote or action by the stockholders. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire a majority of our outstanding voting stock. In addition, our charter and bylaws provide for a classified board of directors. These provisions, along with Section 203 of the DGCL, prohibiting certain business combinations with an interested stockholder, could discourage potential acquisition proposals and could delay or prevent a change of control.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the rules and regulations of the Nasdaq Stock Market. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting and perform system and process evaluation and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting. This requires that we incur substantial professional fees and internal costs related to our accounting and finance functions and that we expend significant management efforts.

We may in the future discover areas of our internal financial and accounting controls and procedures that need improvement. Our internal control over financial reporting will not prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

If we are unable to maintain proper and effective internal controls in the future, we may not be able to produce timely and accurate financial statements, and we may conclude that our internal controls over financial reporting are not effective. If that were to happen, the market price of our stock could decline and we could be subject to sanctions or investigations by the Nasdaq Stock Market or the NYSE MKT, the SEC or other regulatory authorities.

If securities or industry analysts do not publish research or reports about our business, or publish inaccurate or unfavorable research reports about our business, our share price and trading volume could decline.

The trading market for our common stock will, to some extent, depend on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us should downgrade our shares or change their opinion of our business prospects, our share price would likely decline. If one or more of these analysts ceases coverage of our company or fails to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share

Risks Related to Pyxis' Industry

The value of your investment in Pyxis following consummation of the Merger will be subject to the significant risks affecting Pyxis and those inherent in the product tanker industry. You should carefully consider the risks and uncertainties described below and other information included in this proxy statement/prospectus. If any of the events described below occur, the post-acquisition business and financial results could be adversely affected in a material way. This could cause the trading price of Pyxis' common shares to decline, perhaps significantly, and you therefore may lose all or part of your investment. The following risk factors apply to the business and operations of Pyxis and will also apply to the business and operations of Pyxis following the Merger.

The unaudited pro forma condensed combined financial information included elsewhere in this proxy statement/prospectus may not be indicative of what the combined company's actual financial position or results of operations would have been.

The unaudited pro forma condensed combined financial information in this proxy statement/prospectus is presented for illustrative purposes only, has been prepared based on a number of assumptions and is not necessarily indicative of what the combined company's actual financial position or results of operations would have been had the Merger been completed on the dates indicated. The unaudited pro forma condensed combined financial information does not reflect any cost savings, operating synergies or revenue.

Operating ocean-going vessels is inherently risky.

The operation of ocean-going vessels in international trade is affected by a number of risks, including mechanical failure, personal injury, vessel and cargo and property loss or damage, business interruption due to political conditions, hostilities, labor strikes, adverse weather conditions, stowaways, placement on Pyxis' vessels of illegal drugs and other contraband by smugglers, war, terrorism, piracy, human error, environmental accidents generally, collisions and other catastrophic natural and marine disasters. An accident involving any of Pyxis' vessels could result in any of the following: death or injury to persons, loss of property or environmental damage, delays in the delivery of cargo, loss of revenues from or termination of charter contracts, governmental fines, penalties or restrictions on conducting business or higher insurance rates.

In addition, the operation of tankers has unique operational risks associated with the transportation of oil and chemicals. An oil or chemical spill may cause significant environmental damage, and a catastrophic spill could exceed the insurance coverage available. Compared to other types of vessels, tankers are exposed to a higher risk of damage and loss by fire, whether ignited by a terrorist attack, collision or other cause due to the high flammability and high volume of the oil transported in tankers. In addition, to the extent Pyxis' vessels are found with contraband, whether inside or attached to the hull of Pyxis' vessel and whether such contraband was on the Pyxis vessels with or without the knowledge of any of Pyxis' crew or land-based shore personnel, it may face governmental or other regulatory claims which could have an adverse effect on Pyxis' business, results of operations, cash flows, financial condition and ability to pay dividends. Pyxis could also become subject to personal injury or property damage claims relating to the release of or exposure to hazardous materials associated with Pyxis' operations. Violations of or liabilities under environmental requirements also can result in substantial penalties, fines and other sanctions, including in certain instances, seizure or detention of Pyxis' vessels. Any of these circumstances or events could negatively impact Pyxis' business, financial condition and results of operations. In addition, the loss of any of Pyxis' vessels could harm Pyxis' reputation as a safe and reliable vessel owner and operator.

Pyxis operates its vessels worldwide and as a result, its vessels are exposed to international risks that may reduce revenue or increase expenses.

The international shipping industry is an inherently risky business involving global operations. Pyxis' vessels are at risk of damage or loss because of events such as marine disasters, bad weather, business interruptions caused by mechanical failures, grounding, fire, explosions, collisions, human error, war, terrorism, piracy, cargo loss, latent defects, acts of God and other circumstances or events. In addition, changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. These sorts of events could interfere with shipping routes and result in market disruptions that may reduce Pyxis' revenue or increase its expenses.

International shipping is also subject to various security and customs inspection and related procedures in countries of origin and destination and transhipment points. Inspection procedures can result in the seizure of the cargo and/or our vessels, delays in the loading, offloading or delivery and the levying of customs duties, fines or other penalties against us. It is possible that changes to inspection procedures could impose additional financial and legal obligations on Pyxis. Furthermore, changes to inspection procedures could also impose additional costs and obligations on Pyxis' customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on Pyxis' business, results of operations, cash flows, financial condition and available cash.

Charter hire rates for tankers are cyclical and volatile.

The tanker market is cyclical with volatility in charter hire rates and industry profitability. The degree of charter hire rate volatility among different types of tankers has varied widely. After reaching historical highs in mid-2008, charter hire rates for tankers have declined significantly. If the shipping industry and charter hire rates are depressed in the future when Pyxis' charters expire, Pyxis may be unable to recharter its vessels at rates as favorable to it as historical rates and its revenues, earnings and available cash flow will likely be adversely affected. In addition, a decline in charter hire rates likely will cause the value of Pyxis' vessels to decline. Pyxis' ability to re-charter its vessels upon the expiration or termination of its current charters, the charter rates payable under any replacement charters and vessel values will depend upon, among other things, economic conditions in the tanker market at that time and changes in the supply and demand for vessel capacity.

The factors that influence the demand for tanker vessel capacity are outside of Pyxis' control and unpredictable and include:

- demand and supply for refined petroleum products and other liquid bulk products such as vegetable and edible oils;
- regional availability of refining capacity;
- the globalization of manufacturing;
- global and regional economic and political conditions and developments in international trade;
- changes in seaborne and other transportation patterns, including changes in the distances over which tanker cargoes are transported;
- competition from other shipping companies and other modes of transportation that compete with tankers;
- environmental and other regulatory developments;
- currency exchange rates; and
- weather and natural disasters.

The factors that influence the supply of tanker vessel capacity are outside of Pyxis' control and unpredictable and include:

- the number of tanker newbuilding deliveries;
- the scrapping rate of older tankers;
- the price of steel and vessel equipment;
- the cost of newbuildings and the cost of retrofitting or modifying secondhand tankers as a result of charterer requirements;
- availability and cost of capital;
- cost and supply of labor;
- technological advances in tankers design and capacity;
- conversion of tankers to other uses and the conversion of other vessels to tankers;
-

tankers freight rates, which is itself effected by factors that may affect the rate of newbuilding, scrapping and laying-up of tankers;

- port and canal congestion;
- exchange rate fluctuations;
- changes in environmental and other regulations that may limit the useful lives of tankers; and
- the number of tankers that are out of service.

These factors influencing the supply of and demand for tanker capacity and charter rates are outside of Pyxis' control, and it may not be able to correctly assess the nature, timing and degree of changes in industry conditions. Pyxis cannot assure you that it will be able to successfully charter its tankers in the future at all or at rates sufficient to allow the Company to meet its contractual obligations, including repayment of its indebtedness, or to pay dividends to its shareholders.

Tanker rates also fluctuate based on seasonal variations in demand.

Tanker markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere but weaker in the summer months as a result of lower oil consumption in the northern hemisphere and refinery maintenance that is typically conducted in the summer months. In addition, unpredictable weather patterns during the winter months in the northern hemisphere tend to disrupt vessel routing and scheduling. The oil price volatility resulting from these factors has historically led to increased oil trading activities in the winter months. As a result, revenues generated by our vessels have historically been weaker during the quarters ended June 30 and September 30, and stronger in the quarters ended March 31 and December 31.

An over-supply of tanker capacity may lead to reductions in charter rates, vessel values, and profitability.

The market supply of tankers is affected by a number of factors such as demand for energy resources, oil, petroleum and chemical products, as well as strong overall global economic growth. If the capacity of new ships delivered exceeds the capacity of tankers being scrapped and lost, tanker capacity will increase. For example, as of July 31, 2015, the order book for MR tankers represented slightly over 12.5% of the existing fleet and the order book may increase further in the future. If the supply of tanker capacity increases and if the demand for tanker capacity does not increase correspondingly, charter rates and vessel values could materially decline. A reduction in charter rates and the value of Pyxis' vessels may have a material adverse effect on its results of operations and available cash.

If Pyxis' vessels suffer damage due to the inherent operational risks of the shipping industry, it may experience unexpected drydocking costs and delays or total loss of its vessels, which may adversely affect its business and financial condition.

The operation of an ocean-going vessel carries inherent risks. Pyxis' vessels and their cargoes will be at risk of being damaged or lost because of events such as marine disasters, bad weather, business interruptions caused by mechanical failures, grounding, fire, explosions, collisions, human error, war, terrorism, piracy, cargo loss, latent defects, acts of God and other circumstances or events. Changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. These hazards may result in death or injury to persons, loss of revenues or property, environmental damage, higher insurance rates, damage to our customer relationships, market disruptions, delay or rerouting. In addition, the operation of tankers has unique operational risks associated with the transportation of oil and other liquid bulk products. An oil or chemical spill, for example, may cause significant environmental damage, and the associated costs could exceed the insurance coverage available to us. Compared to other types of vessels, tankers are exposed to a higher risk of damage and loss by fire, whether ignited by a terrorist attack, collision, or other cause, due to the high flammability and high volume of the oil or chemicals transported in tankers.

If Pyxis' vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and may be substantial. Pyxis may have to pay drydocking costs that its insurance does not cover in full. The loss of revenues and continuation of certain operating expenses while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect Pyxis' business and financial condition. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. Pyxis may be unable to find space at a suitable drydocking facility or its vessels may be forced to travel to a drydocking facility that is not conveniently located to its vessels' positions. The loss of earnings while these vessels are forced to wait for space or to travel or be towed to more distant drydocking facilities may adversely affect Pyxis' business and financial condition. Further, the total loss of any of its vessels could harm its reputation as a safe and reliable vessel owner and operator. If Pyxis is unable to adequately maintain or safeguard its vessels, it may be unable to prevent any such damage, costs, or loss which could negatively impact its business, financial condition, results of operations and available cash.

Acts of piracy on ocean-going vessels could adversely affect Pyxis' business.

Acts of piracy have historically affected ocean-going vessels trading in many regions of the world. Although the frequency of piracy on ocean-going vessels decreased during 2014, piracy incidents continue to occur, particularly in the Gulf of Aden off the coast of Somalia and the Gulf of Guinea. Tanker vessels are particularly vulnerable to attacks by pirates. If regions in which Pyxis' vessels are deployed are characterized as ''war risk'' zones by insurers, as the Gulf of Aden temporarily was in May 2008, or Joint War Committee ''war and strikes'' listed areas, premiums payable for coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including due to employing onboard security guards, could increase in such circumstances. Pyxis may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on the company.

In addition, any detention hijacking as a result of an act of piracy against Pyxis' vessels, or an increase in cost, or unavailability, of insurance for Pyxis' vessels, could have a material adverse impact on its business, financial condition and results of operations.

Pyxis' substantial operations outside the United States expose Pyxis to political, governmental and economic instability.

Pyxis' operations are primarily conducted outside the United States and may be adversely affected by changing or adverse political, governmental and economic conditions in the countries where its vessels are flagged or registered and in the regions where Pyxis otherwise engages in business. In particular, it may derive some portion of its revenues from its vessels transporting oil and refined petroleum products from politically unstable regions.

In addition, terrorist attacks such as the attacks that occurred against targets in the United States on September 11, 2001, Spain on March 11, 2004, London on July 7, 2005, Mumbai on November 26, 2008 and continuing hostilities in Iraq and Afghanistan and elsewhere in the Middle East and the world may lead to additional armed conflicts or to further acts of terrorism and civil disturbance. Pyxis' operations may also be adversely affected by expropriation of vessels, taxes, regulation, tariffs, trade embargoes, economic sanctions, or a disruption of or limit to trading activities or other adverse events or circumstances in or affecting the countries and regions where Pyxis operates or where it may operate in the future. Crew costs, including due to employing onboard security guards, could increase in such circumstances. It may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on Pyxis.

Pyxis' operations are also potentially vulnerable to economic instability inherent in political and government risk. In particular, the shipping industry, like many others, is dependent on the economies of India and China. India's gross domestic product growth has exhibited noteworthy growth in the recent years. The Chinese government's reputation and reform of its economy continue to develop. Many of the reforms by the Chinese government are unprecedented or experimental and may be subject to revision, change or abolition based upon the outcome of such experiments.

In addition, fluctuations in exchange rates may affect charter rates and may adversely affect the profitability in U.S. dollars of the services Pyxis provides in foreign markets where payment is made in other currencies. All of Pyxis' consolidated revenue is received in U.S. dollars. The amount and frequency of expenses paid in currency other than the U.S. dollar (such as vessel repairs, supplies and stores) may fluctuate from period to period. Depreciation in the value of the U.S. dollar relative to other currencies increases the U.S. dollar cost to Pyxis. The portion of the company's business conducted in other currencies could increase in the future, which could expand its exposure to losses arising from currency fluctuations, including the continued devaluation of the yuan by the People's Bank of China that commenced in August of 2015. Even if Pyxis implements hedging strategies to mitigate this risk, these strategies might not eliminate its exposure to foreign exchange rate fluctuations and would involve costs and risks of their own, such as ongoing management time and expertise, external costs to implement the hedging activities and potential accounting implications.

Pyxis is also headquartered in Greece, which is in the midst of an economic crisis that includes, among other things, a high budget deficit compared to previous years. The Greek government is adopting reforms and it is not clear how this new legislation will be implemented in practice. On August 19, 2015, the European Commission signed a Memorandum of Understanding (the "MoU") with Greece following approval by the European Stability Mechanism Board of Governors for further stability support accompanied by a third economic adjustment program. Within the scope of the MoU, the Greek government has committed to phasing out special tax treatments of the shipping industry. Over the past recent years, Greece has subjected foreign flag vessels (jointly with their owners and their Greek ship managers) to tonnage tax equal to that payable for equivalent Greek flag vessels, on condition of providing a tax credit for the equivalent taxes actually incurred in respect of the same vessels towards their flag states. Greece has also enacted legislation increasing the levels of tonnage tax by 4% until 2020 in conformity with the MoU. As part of those reforms, the government in Greece may impose additional taxes on shipping companies located in Greece, including on shipping income which currently benefits from an exemption from Greek taxes.

Any of these factors may interfere with the operation of Pyxis' vessels and/or increase the cost and risk that insurance will be unavailable, insufficient or more expensive for its vessels, which could harm its business, financial condition and results of operations. In addition, political instability in Greece may have an adverse impact on Pyxis' and Maritime's operations in that country.

The current global economic condition and financial crisis may negatively affect Pyxis' business.

In recent years, businesses in the global economy generally have suffered from a general recession, faced limited or no credit or credit on less favorable terms than previously obtained, lower demand for goods and services, reduced liquidity and declining capital markets. These factors have led to lower demand for crude oil and refined petroleum products including fuel oil, which, along with diminished trade credit available for the delivery of such cargoes have led to decreased demand for tankers, creating downward pressure on charter rates and reduced tanker values. In particular, a significant number of the port calls Pyxis expects its vessels to make will likely involve the loading or discharging of cargo in ports in Organization of Economic Cooperation and Development, or OECD, countries and the Asia Pacific region. Pyxis cannot assure you that the Chinese, Indian or Japanese economies will not experience a significant contraction or otherwise negatively change in the future, especially due to the recent effects from the turmoil in the Chinese capital market. Moreover, a significant or protracted slowdown in the economies of the United States, the European Union or various Asian countries may adversely affect the economic growth in China and elsewhere. In addition, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations and the overall stability of the Euro. An extended period of adverse development in the outlook for European countries could reduce the overall demand for our services.

These issues, along with the re-pricing of credit risk and the difficulties currently experienced by financial institutions have made, and will likely continue to make, it difficult to obtain financing. As a result of the disruptions in the credit markets and higher capital requirements, many lenders have increased margins on lending rates, enacted tighter lending standards, required more restrictive terms (including higher collateral ratios for advances, shorter maturities and smaller loan amounts), or have refused to refinance existing debt at all. Furthermore, certain banks that have historically been significant lenders to the shipping industry have reduced or ceased lending activities in the shipping industry. Additional tightening of capital requirements and the resulting policies adopted by lenders, could further reduce lending activities.

If the current global economic and financial environment persists or worsens, Pyxis may be negatively affected in the following ways:

- Pyxis may not be able to employ its vessels at charter rates as favorable to Pyxis as historical rates or operate its vessels profitably;

- the market value of Pyxis' vessels could decrease, which may cause Pyxis to, among other things, recognize losses if any of its vessels are sold or if their values are impaired, violate covenants in its current credit facility and future financing agreements that it may enter into from time to time and be unable to incur debt at all or on terms that are acceptable to the company; and

- Pyxis may experience difficulties obtaining financing commitments or be unable to fully draw on the capacity under committed loans Pyxis arranges in the future if the lenders are unwilling to extend financing to Pyxis or unable to meet their funding obligations due to their own liquidity, capital or solvency issues. Pyxis cannot be certain that financing will be available on acceptable terms or at all. If financing is not available when needed, or is available only on unfavorable terms, Pyxis may be unable to meet its future obligations as they come due. In the absence of available financing, Pyxis also may be unable to take advantage of business opportunities or respond to competitive pressures.

The occurrence of any of the foregoing could have a material adverse effect on Pyxis' business, results of operations, cash flows and financial condition.

In addition, as a result of the ongoing economic slump in Greece and the related austerity measures implemented by the Greek government, Pyxis' and Maritime's operations in Greece will likely be subjected to new regulations that will require them to incur new or additional compliance or other administrative costs and may require that they pay to the Greek government new taxes or other fees as described above. Furthermore, the continuing debt crisis in Greece and a possible default may undermine Greece's political and economic stability and may lead it to exit the Eurozone, which may adversely affect Pyxis' and Maritime's operations located in Greece. Even though the Greek government has enacted recent measures to ease the flow of foreign funds transferred to Greece. Pyxis also faces the risk that continued capital controls on banking deposits with Greek financial institutions and future strikes, work stoppages, civil unrest and violence within Greece may disrupt Pyxis' shore-side operations and those of Maritime's employees located in Greece.

Changes in fuel, or bunkers, prices may adversely affect profits.

Fuel, or bunkers, is a significant expense in shipping operations for Pyxis' vessels employed on the spot market and can have a significant impact on earnings. With respect to Pyxis' vessels employed on time charter, the charterer is generally responsible for the cost and supply of fuel, however such cost may affect the charter rates Pyxis is able to negotiate for its vessels. Changes in the price of fuel may adversely affect Pyxis' profitability. The price and supply of fuel is unpredictable and fluctuates based on events outside its control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel may become much more expensive in the future, which may reduce the profitability and competitiveness of Pyxis' business versus other forms of transportation, such as truck or rail.

If Pyxis' vessels call on ports located in countries that are subject to restrictions imposed by the U.S. government, its reputation and the market for its common stock could be adversely affected.

Although no vessels owned or operated by Pyxis have called on ports located in countries subject to sanctions and embargoes imposed by the U.S. government and other authorities or countries identified by the U.S. government or other authorities as state sponsors of terrorism, such as Cuba, Iran, Sudan, and Syria, in the future, its vessels may call on ports in these countries from time to time on charterers' instructions in violation of contractual provisions that prohibit them from doing so. Sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. In 2010, the United States enacted the Comprehensive Iran Sanctions Accountability and Divestment Act ("**CISADA**"), which expanded the scope of the Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions on companies, such as Pyxis, and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products.

On November 24, 2013, the P5+1 (the United States, United Kingdom, Germany, France, Russia and China) entered into an interim agreement with Iran entitled the Joint Plan of Action ("**JPOA**"). Under the JPOA it was agreed that, in exchange for Iran taking certain voluntary measures to ensure that its nuclear program is used only for peaceful purposes, the United States and European Union would voluntarily suspend certain sanctions for a period of six months.

On January 20, 2014, the United States and European Union indicated that they would begin implementing the temporary relief measures provided for under the JPOA. These measures include, among other things, the suspension of certain sanctions on the Iranian petrochemicals, precious metals, and automotive industries, initially for the six-month period beginning January 20, 2014 and ending July 20, 2014. The JPOA has since been extended on multiple occasions. On July 14, 2015, the P5+1 reached a Joint Comprehensive Plan of Action Regarding the Islamic Republic of Iran's Nuclear Program (the "JCPOA") with Iran. The JCPOA will further suspend certain sanctions on Iran once fully implemented assuming Iran meets certain pre-conditions. In the interim, the P5+1 have extended the JPOA through the day of implementation of JCPOA. These regulations and U.S. sanctions may be amended over time, and the U.S. retains the authority to revoke the aforementioned relief if Iran fails to meet its commitments under the JPOA.

In 2012, President Barack Obama signed Executive Order 13608, which prohibits foreign persons from violating or attempting to violate, or causing a violation of any sanctions in effect against Iran or facilitating any deceptive transactions for or on behalf of any person subject to U.S. sanctions. Any persons found to be in violation of Executive Order 13608 will be deemed a foreign sanctions evader and will be banned from all contact with the United States, including conducting business in U.S. dollars. Also in 2012, President Obama signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012 (the "Iran Threat Reduction Act"), which created new sanctions and strengthened existing sanctions. Among other things, the Iran Threat Reduction Act intensifies existing sanctions regarding the provision of goods, services, infrastructure or technology to Iran's petroleum or petrochemical sector. The Iran Threat Reduction Act also includes a provision requiring the President of the United States to impose five or more sanctions from Section 6(a) of the Iran Sanctions Act, as amended, on a person the President determines is a controlling beneficial owner of, or otherwise owns, operates, or controls or insures a vessel that was used to transport crude oil from Iran to another country and (1) if the person is a controlling beneficial owner of the vessel, the person had actual knowledge the vessel was so used or (2) if the person otherwise owns, operates, or controls, or insures the vessel, the person knew or should have known the vessel was so used. Such a person could be subject to a variety of sanctions, including exclusion from U.S. capital markets, exclusion from financial transactions subject to U.S. jurisdiction, and exclusion of that person's vessels from U.S. ports for up to two years.

Although Pyxis believes that it has been in compliance with all applicable sanctions and embargo laws and regulations, and intends to maintain such compliance, there can be no assurance that it will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. In addition, the United States retains the authority to revoke the relief set forth in the JPOA if Iran fails to meet its commitments under the JPOA. Any such violation could result in fines, penalties or other sanctions that could severely impact Pyxis' ability to access U.S. capital markets and conduct its business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in Pyxis. Moreover, its charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve it or its vessels, and those violations could in turn negatively affect its reputation. In addition, Pyxis' reputation and the market for its securities may be adversely affected if it engages in certain other activities, such as engaging in operations under an otherwise lawful contract or transaction with a third party which separately and subsequently becomes involved in sanctionable conduct. Investor perception of the value of Pyxis' common stock may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

Certain or future counterparties of Pyxis may be affiliated with persons or entities that are the subject of sanctions imposed by the Obama administration, and European Union and/or other international bodies as a result of the annexation of Crimea by Russia in March 2014. If Pyxis determines that such sanctions require it to terminate existing contracts or if it is found to be in violation of such applicable sanctions, its results of operations may be adversely affected or it may suffer reputational harm.

The smuggling of drugs or other contraband onto Pyxis' vessels may lead to governmental claims against it.

Pyxis expects that its vessels will call in ports where smugglers may attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent Pyxis' vessels are found with contraband, whether inside or attached to the hull of our vessel and whether placed with or without the knowledge of any of its crew, Pyxis may face governmental or other regulatory claims which could have an adverse effect on its business, results of operations, cash flows, financial condition and ability to pay dividends

Pyxis' vessels could be arrested by maritime claimants, which could result in a significant loss of earnings and cash flow if it is not able to post the required security to lift the arrest.

Generally under the terms of Pyxis' time charters for its vessels, a vessel would be placed off-hire (i.e., the charterer could cease to pay charterhire) for any period during which it is "arrested" for a reason not arising from the fault of the charterer. Under maritime law in many jurisdictions, and under the International Convention on Arrest of Ships, 1999, crew members, tort claimants, claimants for breach of certain maritime contracts, vessel mortgagees, suppliers of goods and services to a vessel and shippers and consignees of cargo and others entitled to a maritime lien against the vessel may enforce their lien by "arresting" a vessel through court processes. In addition, claims may be brought by claimants in hostile jurisdictions or on fictitious grounds or for claims against previous owners, if any, or in respect of previous cargoes. Any such claims could lead to the arrest of the vessel, against which a ship owner would have to post security to have the arrest lifted and subsequently defend against such claims.

In addition, in those countries adopting the International Convention on Arrest of Ships, 1999, and in certain other jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest not only the vessel with respect to which the claimant's maritime lien has arisen, but also any "associated" vessel owned or controlled by the legal or beneficial owner of that vessel. While in some of the jurisdictions which have adopted this doctrine, liability for damages is limited in scope and would only extend to a company and its vessel owning subsidiaries, there can be no assurance that liability for damages caused by a vessel managed by International Tanker Management Ltd. ("**ITM**"), Pyxis' technical manager (but otherwise with no connection at all to Pyxis), would not be asserted against Pyxis or one or more of its vessels. The arrest of one or more vessels in its fleet could result in a material loss of cash flow for Pyxis and/or require the company to pay substantial sums to have the arrest lifted.

Governments could requisition Pyxis' vessels during a period of war or emergency.

A government could requisition for title or seize Pyxis' vessels. Requisition for title occurs when a government takes control of a vessel and becomes its owner. Also, a government could requisition Pyxis' vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes her charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of Pyxis' vessels could negatively impact its business, financial condition and results of operations.

Environmental, safety and other increasingly strict governmental regulations expose Pyxis to liability and significant additional expenditures.

Pyxis' operations are affected by extensive and changing international, national and local environmental protection laws, regulations, treaties, conventions and standards in force in international waters, the jurisdictional waters of the countries in which Pyxis' vessels operate, as well as the countries of its vessels' registration. These requirements can affect the resale value or useful lives of Pyxis' vessels, require a reduction in cargo-capacity, vessel modifications or operational changes or restrictions, or result in the denial of access to certain jurisdictional waters or ports, or detention in, certain ports. In addition, ship owners incur significant costs in complying with the regulations summarized above and in meeting maintenance and inspection requirements and in developing contingency arrangements for potential environmental damages such as spills. Government regulation of vessels, particularly in the areas of safety and environmental requirements, can be expected to become stricter in the future and require Pyxis to incur significant capital expenditure on its vessels to keep them in compliance, even to scrap or sell certain vessels altogether and generally to increase its compliance costs.

Pyxis is subject to complex laws and regulations, including environmental laws and regulations, which can adversely affect its business, results of operations, cash flows and financial condition, and its available cash.

Pyxis' operations are subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which its vessels operate or are registered, which can significantly affect the ownership and operation of its vessels. These requirements include, but are not limited to, the U.S. Oil Pollution Act of 1990 ("**OPA**"), requirements of the U.S Coast Guard and the U.S. Environmental Protection Agency ("**EPA**"), the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("**CERCLA**"), the U.S. Clean Air Act, the U.S. Clean Water Act, the International Maritime Organization ("**IMO**"), International Convention on Civil Liability for Oil Pollution Damage of 1969 (as from time to time amended and generally referred to as "**CLC**"), the IMO International Convention on Civil Liability for Bunker Oil Pollution Damages, the IMO International Convention for the Prevention of Pollution from Ships of 1973 (as from time to time amended and generally referred to as "**MARPOL**"), including designation of Emission Control Areas thereunder, the IMO International Convention for the Safety of Life at Sea of 1974 (as from time to time amended and generally referred to as "**SOLAS**"), the IMO International Convention on Load Lines of 1966 (as from time to time amended), the U.S. Maritime Transportation Security Act of 2002, the International Labour Organization ("**ILO**") Maritime Labour Convention ("**MLC**") and European Union regulations. Compliance with such laws and regulations, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of Pyxis' vessels. Pyxis may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions including greenhouse gases, the management of ballast and bilge waters, maintenance and inspection, elimination of tin-based paint, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. The 2010 Deepwater Horizon oil spill in the Gulf of Mexico may also result in additional regulatory initiatives or statutes or changes to existing laws that may affect Pyxis' operations or require it to incur additional expenses to comply with such new laws or regulations.

These costs could have a material adverse effect on Pyxis' business, results of operations, cash flows and financial condition and its available cash. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of its operations. Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject Pyxis to liability without regard to whether itwas negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil in U.S. waters, including the 200-nautical mile exclusive economic zone around the United States. An oil spill could also result in significant liability, including fines, penalties, criminal liability and remediation costs for natural resource damages under other international and U.S. federal, state and local laws, as well as third-party damages, and could harm Pyxis' reputation with current or potential charterers of its tankers. Pyxis is required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although Pyxis has arranged insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on its business, results of operations, cash flows and financial condition and available cash.

The failure to maintain class certifications of authorized classification societies on one or more of Pyxis' vessels would affect its ability to employ such vessels.

The hull and machinery of every commercial vessel must be certified as meeting its class requirements by a classification society authorized by the vessel's country of registry. The classification society certifies that the vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention, or SOLAS. The operating vessels in Pyxis' fleet are classed by the major classification societies, Nippon Kaiji Kyokai (Class NK) and Det Norske Veritas. ITM, Pyxis' technical manager, and the vessels in its fleet have also been awarded ISM certifications from major classification societies. In order for a vessel to maintain its classification, the vessel must undergo annual surveys, intermediate surveys and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle under which the machinery would be surveyed from time to time over a five year period. All of the vessels in Pyxis' fleet on time charters or operating on the spot market are on special survey cycles for both hull and machinery inspection. Every vessel may also be required to be drydocked every two to three years for inspection of the underwater parts of the vessel. If a vessel fails any survey or otherwise fails to maintain its class, the vessel will be unable to trade and will be unemployable, and may subject Pyxis to claims from the charterer if it has chartered the vessel, which would negatively impact its revenues as well as its reputation.

If Pyxis fails to comply with international safety regulations, it may be subject to increased liability, which may adversely affect its insurance coverage and may result in a denial of access to, or detention in, certain ports.

The operation of Pyxis' vessels is affected by the requirements set forth in the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention ("**ISM Code**"), promulgated by the IMO under SOLAS. The ISM Code requires ship owners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of safety and environmental protection policies setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. If Pyxis fails to comply with the ISM Code, it may be subject to increased liability, invalidation of its existing insurance, or reduction in available insurance coverage for its affected vessels. Such noncompliance may also result in a denial of access to, or detention in, certain ports.

Pyxis could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws.

The U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Pyxis' policies mandate compliance with these laws. In certain circumstances, third parties may request Pyxis' employees and agents to make payments that may not comply with the U.S. Foreign Corrupt Practices Act and other anti-bribery laws. Despite such compliance program, Pyxis cannot assure you that its internal control policies and procedures always will protect Pyxis from reckless or negligent acts committed by its employees or agents. Violations of these laws, or allegations of such violations, could have a negative impact on its business, results of operations and reputation.

Pyxis is subject to funding calls by its protection and indemnity associations, and its associations may not have enough resources to cover claims made against them.

Pyxis is indemnified for certain liabilities incurred while operating its vessels through membership in protection and indemnity associations, which are mutual insurance associations whose members contribute to cover losses sustained by other association members. Claims are paid through the aggregate premiums (typically annually) of all members of the association, although members remain subject to calls for additional funds if the aggregate premiums are insufficient to cover claims submitted to the association. Claims submitted to the association may include those incurred by members of the association, as well as claims submitted to the association from other protection and indemnity associations with which Pyxis' association has entered into interassociation agreements. Pyxis cannot assure you that the associations to which it belongs will remain viable.

Pyxis must protect the safety and condition of the cargoes transported on its vessels and any failure to do so may subject the company to claims for loss or damage.

Under Pyxis' time charters and on the spot market, Pyxis is responsible for the safekeeping of cargo entrusted to it and must properly maintain and control equipment and other apparatus to ensure that cargo is not lost or damaged in transit. Claims and any liability for loss or damage to cargo that is not covered by insurance could harm Pyxis' reputation and adversely affect its business, financial condition and results of operations. See also "Pyxis' insurance may be insufficient to cover losses that may result from its operations."

Pyxis may face labor interruptions.

A majority of the crew members on the vessels in Pyxis' fleet that are under time or spot charters are employed under collective bargaining agreements. ITM, Pyxis' technical manager, is a party to some of these collective bargaining agreements. These collective bargaining agreements and any employment arrangements with crew members on the vessels in its fleet may not prevent labor interruptions and are subject to renegotiation in the future. Any labor interruptions, including due to failure to successfully renegotiate collective bargaining employment agreements with the crew members on the vessels in its fleet, could disrupt Pyxis' operations and could adversely affect its business, financial condition and results of operations.

Technological innovation could reduce Pyxis' charter hire income and the value of its vessels.

The charterhire rates and the value and operational life of a vessel are determined by a number of factors including the vessel's efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to load and discharge cargo quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. The length of a vessel's physical life is related to its original design and construction, its maintenance and the impact of the stress of operations. If new tankers are built that are more efficient or more flexible or have longer physical lives than Pyxis' vessels, competition from these more technologically advanced vessels could adversely affect the amount of charterhire payments Pyxis receives for its vessels once their initial charters expire and the resale value of its vessels could significantly decrease. As a result, its financial condition and available cash could be adversely affected.

Risks Related to Pyxis' Business and Operations

Pyxis operates in a highly competitive international market and if it is unable to operate its vessels profitably, it may be unsuccessful in competing, which would negatively affect its financial condition.

The tanker industry is highly fragmented with many charterers, owners and operators of vessels and the transportation of petroleum products is characterized by intense competition. Competition arises primarily from other tanker owners, including major oil companies as well as independent tanker companies, some of which have substantially greater resources than Pyxis does. Although Pyxis believes that no single competitor has a dominant position in the markets in which it competes, the trend towards consolidation in the industry is creating an increasing number of global enterprises capable of competing in multiple markets, which may result in greater competition to the company. Its competitors may be better positioned to devote greater resources to the development, promotion and employment of their businesses than it is. Competition for charters, including for the transportation of oil and refined petroleum products, are intense and depends on price as well as on the location, size, age, condition and acceptability of the vessel and its operator to the charterer. Competition may increase in some or all of Pyxis' principal markets, including with the entry of new competitors. Pyxis may not be able to compete successfully or effectively with its competitors and its competitive position may be eroded in the future, which could have an adverse effect on its business, financial condition and results of operations.

Because Pyxis intends to charter some of the vessels in its fleet on the spot market or in pools trading in the spot market, it expects to have exposure to the cyclicality and volatility of the spot charter market.

The spot market is highly competitive and volatile, and spot charter rates may fluctuate dramatically based on the factors listed in the preceding risk factor. Significant fluctuations in spot charter rates may result in significant fluctuations in Pyxis' ability to continuously recharter its vessels upon the expiration or termination of their current spot charters and in the earnings of its vessels operating on the spot market. Since Pyxis charters some of its vessels on the spot market, and may in the future also admit its vessels in pools trading on the spot market, Pyxis has exposure to the cyclicality and volatility of the spot charter market. By focusing the employment of some of the vessels in its fleet on the spot market, Pyxis will benefit if conditions in this market strengthen. However, Pyxis will also be particularly vulnerable to declining spot charter rates. Future spot charters may not be available at the rates currently prevailing in the spot market or that will allow Pyxis to operate its vessels profitably. When spot charter rates decrease, its earnings will be adversely impacted if and to the extent it has vessels trading on the spot market.

Pyxis may be unable to secure medium- and long-term employment for its vessels at profitable rates.

One of Pyxis' strategies is to explore and selectively enter into or renew medium- and long-term, fixed rate time and bareboat charters for some of the vessels in its fleet in order to provide the company with a base of stable cash flows and to manage charter rate volatility. However, the process for obtaining longer term charters is highly competitive and generally involves a more lengthy and intense screening and vetting process and the submission of competitive bids, compared to shorter term charters. In addition to the quality, age and suitability of the vessel, longer term charters tend to be awarded based upon a variety of other factors relating to the vessel operator, including:

- the operator's environmental, health and safety record;
- shipping industry relationships, reputation for customer service, technical and operating expertise and safety record;
- shipping experience and quality of ship operations, including cost-effectiveness;
- quality, experience and technical capability of crews;
- the ability to finance vessels at competitive rates and overall financial stability;
- relationships with shipyards and the ability to obtain suitable berths with on-time delivery of new vessels according to customer's specifications;
- willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and
- competitiveness of the bid in terms of overall price.

Pyxis' ability to obtain new customers will depend upon a number of factors many of which are beyond its control.

Pyxis' ability to obtain new customers will depend upon a number of factors many of which are beyond its control. These include its ability to:

- successfully manage its liquidity and obtain the necessary financing to fund its anticipated growth;
- attract, hire, train and retain qualified personnel and technical managers to manage and operate its fleet;
- identify and consummate desirable acquisitions, joint ventures or strategic alliances; and

· identify and capitalize on opportunities in new markets.

It is likely that Pyxis will face substantial competition for medium- and long-term employment from a number of experienced shipping companies, many of which may have significantly greater financial resources than it does. Increased competition may cause greater price competition. As a result of these factors, Pyxis may be unable to expand its relationships with existing customers or obtain new customers for medium- and long-term charters on a profitable basis, if at all.

Pyxis may not be able to successfully mix its charter durations profitably and to the extent its vessels are employed on medium-and long-term charters, Pyxis will not be able to take advantage of favorable opportunities in the current spot market.

A related risk to the one above arises from the fact that it may be difficult to properly balance charter and spot business and anticipate trends in these sectors. If Pyxis is successful in employing vessels under medium- and long-term charters, those vessels will not be available for trading on the spot market during an upturn in the tanker market cycle, when spot trading may be more profitable. If the company cannot successfully employ its vessels in a profitable mix of medium- and long-term charters and on the spot market, its results of operations and operating cash flow could be adversely affected. At the expiration of its charters, if a charter terminates early for any reason or if Pyxis acquires vessels charter-free, it may want to charter or re-charter its vessels under medium- and long-term charters. Should more vessels be available on the spot or short-term market at the time it is seeking to fix new medium- to long-term charters, Pyxis may have difficulty entering into such charters at profitable rates and for any term other than short-term and, as a result, its cash flow may be subject to instability. A more active short-term or spot market may require the company to enter into charters on all its vessels based on fluctuating market rates, as opposed to long-term contracts based on a fixed rate, which could result in a decrease in its cash flow in periods when the charter rates for tankers are depressed.

Counterparties, including charterers or technical managers, could fail to meet their obligations to Pyxis.

Pyxis enters into with third parties, among other things, memoranda of agreement, charter parties, ship management agreements and loan agreements with respect to the purchase and operation of its fleet and its business. Such agreements subject the company to counterparty risks. Although Pyxis may have rights against any counterparty if it defaults on its obligations, its shareholders will share that recourse only indirectly to the extent that it recovers funds. In particular, Pyxis faces credit risk with its charterers. It is possible that not all of Pyxis' charterers will provide detailed financial information regarding their operations. As a result, charterer risk is largely assessed on the basis of its charterers' reputation in the market, and even on that basis, there can be no assurance that they can or will fulfill their obligations under the contracts Pyxis enters into with them. Charterers are sensitive to the commodity markets and may be impacted by market forces affecting commodities. In addition, in depressed market conditions, there have been reports of charterers renegotiating their charters or defaulting on their obligations under charters. Pyxis' customers may fail to pay charter hire or attempt to renegotiate charter rates. Should a charterer counterparty fail to honor its obligations under agreements with Pyxis, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements Pyxis secures on the spot market or on substitute charters may be at lower rates depending on the then existing charter rate levels, compared to the rates being charged for Pyxis' vessels under the charter agreements in force with such third parties at the time. In addition, if the charterer of a vessel in Pyxis' fleet that is used as collateral under the company's credit facility defaults on its charter obligations to Pyxis, such default may constitute an event of default under its credit facility, which may allow the bank to exercise remedies under the company's credit facility. If Pyxis' charterers fail to meet their obligations to Pyxis or attempt to renegotiate the charter agreements with Pyxis or if any other counterparty fails to honor its obligations to Pyxis, it could sustain significant losses which could have a material adverse effect on its business, financial condition, results of operations and cash flows, as well as its ability to pay dividends, if any, in the future, and compliance with covenants in its credit facility. Further, if Pyxis needs to find a replacement for ITM, its technical manager, Pyxis may need approval from its lenders.

Pyxis may fail to successfully control its operating and voyage expenses.

Pyxis' operating results are dependent on its ability to successfully control its operating and voyage expenses. Under its ship management agreements with ITM, its technical manager, it is required to pay for vessel operating expenses (which includes crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses), and, for spot charters, voyage expenses (which include bunker expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and conversions). These expenses depend upon a variety of factors, many of which are beyond Pyxis' or the technical manager's control, including unexpected increases in costs for crews, insurance or spare parts for its vessels, unexpected drydock repairs, mechanical failures or human error (including revenue lost in off-hire days), arrest action against its vessels due to failure to pay debts, disputes with creditors or claims by third parties, labor strikes, severe weather conditions, any quarantines of Pyxis' vessels and uncertainties in the world oil markets. Some of these costs, primarily relating to fuel, insurance and enhanced security measures, have been increasing and may increase, possibly significantly, in the future. Repair costs are unpredictable and can be substantial, some of which may not be covered by insurance. If Pyxis' vessels are subject to unexpected or unscheduled off-hire time, it could adversely affect its cash flow and may expose the company to claims for liquidated damages if the vessel is chartered at the time of the unscheduled off-hire period. The cost of drydocking repairs, additional off-hire time, an increase in the company's operating expenses and/or the obligation to pay any liquidated damages could adversely affect its business, financial condition and results of operations. In addition, to the extent Pyxis' vessels are employed under voyage charters in the future, its expenses may be impacted by increases in bunker costs and by canal costs, including the cost of canal-related delays incurred by employment of its vessels on certain routes. Unlike time charters in which the charterer bears all bunker and canal costs, in spot charters Pyxis bears these costs. Because it is not possible to predict the future price of bunkers or canal-related costs when fixing spot charters, a significant rise in these costs could have an adverse impact on the costs associated with any spot charters Pyxis enters into and hence its earnings. Additionally, an increase in the price of fuel beyond the company's expectations may adversely affect its profitability at the time it negotiates time or bareboat charters.

Pyxis will be required to make substantial capital expenditures, for which it may be dependent on additional financing, to maintain the vessels it owns or to acquire other vessels.

Pyxis must make substantial capital expenditures to maintain, over the long term, the operating capacity of its fleet. Pyxis' business strategy is also based in part upon the expansion of its fleet through the purchase of additional vessels. Pyxis currently estimates, based upon current and anticipated market conditions, its capital expenditures of potential acquisitions in the near term could be in excess of $30.0 million. This amount includes the possible acquisition of the *Miss Lucy* and/or the *Pyxis Loucas*, two vessels owned or controlled by affiliates of Pyxis' chief executive officer that Pyxis may acquire in the future pursuant to the terms of the Merger Agreement. While it may decide to sell or scrap any vessels in its fleet, especially any vessels for which maintenance capital expenditures are expected to exceed operating income, the company will incur maintenance capital expenditures for the vessels it chooses to continue operating. These maintenance capital expenditures include drydocking expenses, modification of existing vessels or acquisitions of new vessels to the extent these expenditures are incurred to maintain the operating capacity of its fleet. In addition, Pyxis expects to incur significant maintenance costs for its current and any newly-acquired vessels. A newbuilding vessel must be drydocked within five years of its delivery from a shipyard, and vessels are typically drydocked every 30 to 60 months thereafter depending on the vessel, not including any unexpected repairs. Pyxis estimates the cost to drydock a vessel is between $0.3 and $0.8 million, depending on the size and condition of the vessel and the location of drydocking.

Capital maintenance expenditures could increase as a result of changes in:

- the cost of labor and materials;
- customer requirements;
- increases in the size of its fleet;
- governmental regulations and maritime self-regulatory organization standards relating to safety, security or the environment; and
- competitive standards.

To purchase additional vessels from time to time, Pyxis may be required to incur additional borrowings or raise capital through the sale of debt or additional equity securities. Its ability to obtain bank financing or to access the capital markets for future offerings may be limited by its financial condition at the time of any such financing or offering as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond its control.

Pyxis cannot assure you that it will be able to obtain such additional financing in the future on terms that are acceptable to the company or at all. Its failure to obtain funds for capital expenditures could have a material adverse effect on its business, results of operations and financial condition and on its ability to pay dividends. In addition, the company's actual operating and maintenance capital expenditures will vary significantly from quarter to quarter based on, among other things, the number of vessels drydocked during that quarter. Even if Pyxis is successful in obtaining the necessary funds for capital expenditures, the terms of such financings could limit its ability to pay dividends to its shareholders. Incurring additional debt may significantly increase its interest expense and financial leverage, and issuing additional equity securities may result in significant shareholder ownership or dividend dilution.

Any vessel modification projects Pyxis undertakes could have significant cost overruns, delays or fail to achieve the intended results.

Market volatility and higher fuel prices, coupled with increased regulation and concern about the environmental impact of the international shipping industry, have led to an increased focus on fuel efficiency. Many shipbuilders have implemented vessel modification programs for their existing ships in an attempt to capture potential efficiency gains. Pyxis will consider making modifications to its fleet where it believes the efficiency gains will result in a positive return for its shareholders. However, these types of projects are subject to risks of delay and cost overruns, resulting from shortages of equipment, unforeseen engineering problems, work stoppages, unanticipated cost increases, inability to obtain necessary certifications and approvals, shortages of materials or skilled labor, among other problems. In addition, any completed modification may not achieve the full expected benefits or could even compromise the fleet's ability to operate at higher speeds, which is an important factor in generating additional revenue in an improving freight rate environment. The failure to successfully complete any modification project Pyxis undertakes or any significant cost overruns or delays in any retrofitting projects could have a material adverse effect on its business, financial position, cash flows and results of operations.

Pyxis expects that a limited number of financial institutions, including financial institutions that may be located in Greece, will hold the cash it deposits with them, which will subject Pyxis to credit risk.

Pyxis expects that a limited number of financial institutions, including institutions that may be located in Greece, will hold the cash it deposits with them. These financial institutions located in Greece may be subsidiaries of international banks or Greek financial institutions. Pyxis does not expect that these balances will be covered by insurance in the event of default by these financial institutions. The occurrence of such a default could have a material adverse effect on Pyxis' business, financial condition, results of operations and cash flows, and it may lose part or all of its cash that it deposits with such banks.

As a newly formed company, Pyxis may not be able to implement its business strategy successfully or manage its growth effectively.

Pyxis' future growth will depend on the successful implementation of its business strategy. A principal focus of its business strategy is to grow by expanding the size of its fleet while capitalizing on a mix of charter types, including on the spot market.

Pyxis' future growth will depend upon a number of factors, some of which may not be within its control. These factors include its ability to:

- identify suitable tankers and/or shipping companies for acquisitions at attractive prices;
- identify and consummate desirable acquisitions, joint ventures or strategic alliances
- hire, train and retain qualified personnel and crew to manage and operate its growing business and fleet;
- improve its operating, financial and accounting systems and controls; and