

Yuma Energy, Inc.
Form 424B5
October 14, 2014

The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and accompanying prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 14, 2014

PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated November 21, 2013)

Filed Pursuant to Rule 424(b)(5)

Registration No. 333-192094

Yuma Energy, Inc.

Shares
% Series A Cumulative Redeemable Preferred Stock
\$ Per Share
(Liquidation Preference \$25.00 Per Share)

Yuma Energy, Inc. is offering to the public _____ shares of its _____ % Series A Cumulative Redeemable Preferred Stock, which we refer to in this prospectus supplement as the Series A Preferred Stock. This is an original issuance of the Series A Preferred Stock. Our common stock is currently traded on the NYSE MKT under the symbol "YUMA." We will bear all costs associated with the offering.

We will pay monthly cumulative dividends on the Series A Preferred Stock on the 1st day of each calendar month (provided that if any dividend payment date is not a business day, then the dividend which would otherwise have been payable on that dividend payment date may be paid on the next succeeding business day) when, as and if declared by our board of directors. Dividends will accrue from, and including, the date of original issuance at an annual rate of _____ % per annum, based on the \$25.00 per share liquidation preference (equivalent to \$ _____ per annum per share).

The Series A Preferred Stock will not be redeemable before the third anniversary of the date we initially issue the Series A Preferred Stock, except as described below upon the occurrence of a Change of Control. On or after the third anniversary of the date we initially issue the Series A Preferred Stock we may, at our option, redeem any or all of the shares of the Series A Preferred Stock at \$25.00 per share plus any accumulated and unpaid dividends to, but not including, the redemption date. In addition, upon the occurrence of a Change of Control, we may, at our option, redeem any or all of the shares of Series A Preferred Stock within 120 days after the first date on which such Change of Control occurred at \$25.00 per share plus any accumulated and unpaid dividends to, but not including, the redemption date. The Series A Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and will remain outstanding indefinitely unless we repurchase, redeem or convert it into our common stock in connection with a Change of Control.

The underwriters have an option to purchase a maximum of _____ additional shares of Series A Preferred Stock to cover over-allotments, if any, on the same terms and conditions set forth above within 30 days of the date of this prospectus supplement.

No current market exists for the Series A Preferred Stock. We have applied to list the Series A Preferred Stock on the NYSE MKT, under the symbol "YUMAprA" and we anticipate that our Series A Preferred Stock will be approved assuming that we sell a sufficient number of shares of Series A Preferred Stock to satisfy the minimum listing requirements, and we satisfy all other listing requirements. If the application is approved, trading of the Series A Preferred Stock on the NYSE MKT is expected to begin within 30 days after the date of initial issuance of the Series A Preferred Stock.

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The Series A Preferred Stock has not been rated. Investing in the Series A Preferred Stock involves a high degree of risk. You should carefully consider the risks relating to an investment in the Series A Preferred Stock and each of the other risk factors described under “Risk Factors” beginning on page S-16 of this prospectus supplement, on page 2 of the accompanying prospectus, and in our reports filed with the Securities and Exchange Commission, which are incorporated by reference herein, before you make an investment in our securities.

	Per Share	Total (1)
Public Offering Price		
Underwriting discounts		
Proceeds, before expenses, to us		

(1) The underwriters will receive compensation in addition to the underwriting commission. See “Underwriting” beginning on page S-51 of this prospectus supplement for a description of compensation payable to the underwriters.

We expect that the Series A Preferred Stock will be ready for delivery in book-entry form through The Depository Trust Company on or about October , 2014.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Sole Book-Running Manager
MLV & Co.

Co-Managers

Euro Pacific Capital

Ladenburg Thalmann

Maxim Group LLC

Northland Capital Markets

The date of this prospectus supplement is October , 2014.



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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts—the first part is this prospectus supplement, which describes the specific terms of this offering of Series A Preferred Stock, and the second part is the accompanying prospectus, which provides more general information about us and the securities registered thereunder, some of which may not apply to this offering. This document also includes those documents and other information incorporated by reference in this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus are part of a shelf registration statement on Form S-3 (Registration No. 333-192094) that we filed with the Securities and Exchange Commission (“SEC”) on November 1, 2013, as part of a shelf registration process, and was declared effective by the SEC on November 21, 2013. Under the shelf registration process, we may offer to sell common stock, preferred stock, warrants and units of Yuma Energy, Inc., from time to time, in one or more offerings, up to \$30,000,000 in total aggregate offering price. Generally, when we refer to this prospectus supplement, we are referring to both parts of this document combined, including all documents and other information incorporated by reference herein.

This prospectus supplement, the accompanying prospectus, any free writing prospectus that we have authorized to be distributed to you in connection with this offering, and the documents and other information incorporated by reference herein and therein, include important information about us, the Series A Preferred Stock being offered hereby, and other information you should know before investing in our securities. This prospectus supplement may supplement, update, or change information contained in the accompanying prospectus. To the extent that any statement that we make in this prospectus supplement is inconsistent with statements made in the accompanying prospectus or any documents incorporated by reference therein, the statements made in this prospectus supplement will be deemed to modify or supersede those made in the accompanying prospectus and such documents incorporated by reference therein. We urge you to carefully read this prospectus supplement, including the “Risk Factors,” the accompanying prospectus, any free writing prospectus that we authorize to be distributed to you, the information incorporated by reference herein and therein (including the documents described in “Where You Can Find More Information” in both this prospectus supplement and the accompanying prospectus), and any additional information you may need to make your investment decision, before buying any of the securities being offered under this prospectus supplement.

In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus, and any free writing prospectus we have authorized to be distributed to you in connection with this offering. We have not, and the underwriters have not, authorized anyone to provide you with any other information. You should not rely on any unauthorized information or representation. You should assume that the information in this prospectus supplement, the accompanying prospectus, and any free writing prospectus authorized to be distributed by us is accurate only as of the date on the front cover of the applicable document and that any information incorporated by reference in such documents is accurate only as of the date of the document incorporated by reference, regardless of the time of delivery of this prospectus supplement, the accompanying prospectus, or any free writing prospectus or any sale of a security. Our business, assets, financial condition, results of operations, and prospects may have changed since such dates.

All references in this prospectus supplement to “we,” “our,” “us,” the “Company,” or “Yuma” refer to Yuma Energy, Inc., a California corporation, and its subsidiaries on a consolidated basis, unless otherwise indicated or the context otherwise requires. All references in this prospectus supplement to “Yuma Co.” refer to The Yuma Companies, Inc., a Delaware corporation and wholly-owned subsidiary of the Company, unless otherwise indicated or the context otherwise requires. All references in this prospectus supplement to “Pyramid” refer to the Company prior to the consummation of the merger, unless otherwise indicated or the context otherwise requires.

This prospectus supplement is an offer to sell only the securities offered hereby and only under circumstances and in jurisdictions where it is lawful to do so. We are not making any representation to you regarding the legality of an

investment in the Series A Preferred Stock by you under applicable law. You should consult with your own legal advisors as to the legal, tax, business, financial, and related aspects of a purchase of the Series A Preferred Stock.

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain or incorporate by reference “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical facts contained in this prospectus supplement and the accompanying prospectus are forward-looking statements. These forward-looking statements can generally be identified by the use of words such as “may,” “will,” “could,” “should,” “project,” “intends,” “plans,” “pursue,” “target,” “continue,” “believes,” “anticipates,” “expects,” “predicts,” or “potential,” the negative of such terms or variations thereon, or other comparable terminology. Statements that describe our future plans, strategies, intentions, expectations, objectives, goals or prospects are also forward-looking statements. These forward-looking statements include, but are not limited to, statements about:

the potential for us to experience additional operating losses;

debt costs under our existing credit facility;

potential limitations imposed by debt covenants under our credit agreement on our growth and our ability to meet our business objectives;

our ability to meet the financial covenants contained in our credit agreement;

whether we are able to complete or commence our drilling projects within our expected time frames;

litigation risks;

our ability to perform under the terms of our oil and gas leases, including meeting the funding or work commitments of those agreements;

our ability to successfully acquire, integrate and exploit new productive assets in the future;

whether we can establish production on certain leases in a timely manner before expiration;

our ability to recover proved undeveloped reserves and convert probable and possible reserves to proved reserves;

our experience with horizontal drilling;

risks associated with the hedging of commodity prices;

our dependence on third party transportation facilities;

adverse effects of the national and global economic downturns on our ability to obtain reasonable financing and on the prices of our common and preferred stock;

the imprecise nature of our reserve estimates;

drilling risks;

fluctuating oil and gas prices and the impact on our results from operations;

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the need to discover or acquire new reserves in the future to avoid declines in production;

differences between the present value of cash flows from proved reserves and the market value of those reserves;

the existence within the industry of risks that may be uninsurable;

strong industry competition;

constraints on production and costs of compliance that may arise from current and future environmental, Federal Energy Regulatory Commission and other statutes, rules and regulations at the state and federal level;

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new regulation on derivative instruments used by us to manage our risk against fluctuating commodity prices;

the impact that future legislation could have on access to tax incentives we currently enjoy;

that no dividends may be paid on our common stock for some time;

the impact of non-cash gains and losses from derivative accounting on future financial results;

risks to non-affiliate stockholders arising from the substantial ownership positions of affiliates;

the junior ranking of our Series A Preferred Stock to our indebtedness;

our ability to pay dividends on our preferred stock;

whether we issue additional shares of preferred stock or additional series of preferred stock;

the limited voting rights held by our preferred stockholders;

the newness of our publicly traded series of preferred stock and its limited trading market;

risks related to our continued listing of our publicly traded series of preferred stock on the NYSE MKT; and

the effect of the change of control conversion feature of our preferred stock on a potential change of control.

These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under “Risk Factors” and elsewhere in this prospectus supplement and the accompanying prospectus. Any forward-looking statement in this prospectus supplement reflects our current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, industry and future growth. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

Discussions containing these forward-looking statements are also contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” incorporated by reference from our most recent Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q for the quarters ended since our most recent Annual Report, our Current Reports on Form 8-K, as well as any amendments we make to those filings with the SEC.

SUMMARY

This summary highlights information contained elsewhere or incorporated by reference into this prospectus supplement and accompanying prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing in our securities. You should read this entire prospectus supplement and accompanying prospectus carefully, including the section entitled “Risk Factors” and the documents that we incorporate by reference into this prospectus supplement and the accompanying prospectus, before making an investment decision.

Company Overview

The Company is a U.S.-based oil and gas company focused on the exploration for, and development of, conventional and unconventional oil and gas properties, primarily through the use of 3-D seismic surveys, in the U.S. Gulf Coast and California. The Company has employed a 3-D seismic-based strategy to build a multi-year inventory of development and exploration prospects. The Company’s current operations are focused on onshore central Louisiana, where the Company is targeting the Austin Chalk, Tuscaloosa, Wilcox, Frio, Marg Tex and Hackberry formations. In addition, the Company has a non-operated position in the Bakken Shale in North Dakota and operated positions in Kern and Santa Barbara Counties in California. As a result of the transaction described below in “Recent Developments,” the Company underwent a substantial change in ownership, management, assets and business strategy, all effective as of September 10, 2014.

For the six months ended June 30, 2014, our net production averaged 2,710 Boe/d, which was 29.3% oil, 58.3% natural gas and 12.4% natural gas liquids, net to our interests in all of our properties. As a result of our oil-weighted development activities, we expect oil production to increase as a percentage of our total production. See “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Quarterly Report on Form 10-Q for the six months ended June 30, 2014 and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Current Report on Form 8-K, which are incorporated herein by reference. See “Incorporation of Certain Information by Reference.”

Recent Developments

Merger – Change in Management, Control and Business Strategy

On September 10, 2014, a wholly-owned subsidiary of the Company merged with and into Yuma Energy, Inc., a Delaware corporation (“Yuma Co.”), in exchange for 66,336,701 shares of common stock and the Company changed its name to “Yuma Energy, Inc.” (the “merger”). As a result of the merger, the former Yuma Co. stockholders received approximately 93% of the then outstanding common stock of the Company and thus acquired voting control. Although the Company was the legal acquirer, for financial reporting purposes the merger was accounted for as a reverse acquisition of the Company by Yuma Co.

As part of the merger, Sam L. Banks assumed the role of Chairman and Chief Executive Officer, Michael F. Conlon became President and Chief Operating Officer, and Kirk F. Sprunger became Chief Financial Officer, Treasurer and Corporate Secretary. Our board of directors was reconstituted to include the directors of Yuma Co., Sam L. Banks, James W. Christmas, Frank A. Lodzinski, Ben T. Morris, Richard K. Stoneburner, and Richard W. Volk. Also, as part of the merger, our headquarters were relocated to Houston, Texas.

Bank Credit Agreement

On October 14, 2014, we entered into the Fifth Amendment to our Credit Agreement (the “credit agreement”) with Société Générale (the “Bank”) which provides for a line of credit until May 20, 2017. Pursuant to the credit agreement,

we secured a credit facility (the “credit facility”), which is available to provide financing of up to \$44.5 million. The credit agreement is secured by a first lien on substantially all of Yuma Co.’s assets. The credit facility has a \$40.0 million conforming borrowing base, with a \$4.5 million additional non-conforming borrowing base, providing for a total borrowing base of \$44.5 million, and is subject to redetermination on March 1 and October 1 of each year. As of June 30, 2014, the borrowing base was \$44.5 million and long-term debt outstanding was \$24.78 million. Amounts borrowed under the credit agreement bear interest at either (a) the LIBOR rate plus 2.25% to 3.75% or (b) the prime rate plus 1.25% to 2.75%, depending on the amount borrowed under the credit facility. The credit facility contains a number of covenants that, among other things, restrict, subject to certain exceptions, our ability to incur additional indebtedness, create liens on assets, sell certain assets and engage in certain transactions with affiliates. The credit facility also requires the maintenance of certain financial ratios.

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Our Business Strategy and Core Competencies

Since the merger, our new management team has implemented its business strategy designed to:

Transition existing inventory of reserves into oil and natural gas production;

Further development and appraisal of existing projects;

Acquisition of additional working interests within drilling units in existing operated proved undeveloped locations through infield leasing while retaining a greater percentage working interest in, and operatorship of, our projects going forward; and

Add to project inventory through ongoing prospect generation, exploration and strategic acquisitions.

Our core competencies include generating:

Unconventional oil resource plays;

Onshore liquids-rich projects, through the use of 3-D seismic surveys; and

Identification of high impact deep onshore prospects located beneath known producing trends through the use of 3-D seismic surveys.

Our Key Strengths and Competitive Advantages

Extensive technical knowledge and history of operations in the Gulf Coast region. Since 1983 Yuma Co. or its predecessor has operated in the Gulf Coast region, which is an area that extends through Texas, Louisiana and Mississippi. Our extensive understanding of the geology and experience in interpreting well control, core and 3-D seismic data in this area provides us with a competitive advantage in exploring and developing projects in the Gulf Coast region. We have cultivated amicable and mutually beneficial relationships with acreage owners in this region and adjacent oil and gas operators, which generally provides for effective leasing and development activities.

In-house technical expertise in 3-D seismic programs. We design and generate in-house 3-D seismic survey programs on many of our projects. By controlling the 3-D seismic program from field acquisition through seismic processing and interpretation, we gain a competitive advantage through proprietary knowledge of the project.

Liquids-rich, quality assets with attractive economics. Our reserves and drilling locations are primarily oil plays with associated liquids-rich natural gas. As at December 31, 2013, giving effect to the merger, our proved reserves comprised approximately 56% oil, 31% natural gas and 13% natural gas liquids.

Diversified portfolio of producing and non-producing assets. Our current portfolio of producing and non-producing assets covers a large area within the U.S. Gulf Coast, the Bakken/Three Forks shale in North Dakota and Kern and Santa Barbara Counties in California.

Significant inventory of oil and gas assets. We have a significant inventory of both proved reserves and significant growth assets that we believe can be developed over the near to medium term. In addition, we have the ability to organically generate new oil and gas prospects and projects through techniques utilized by our experienced management team, which include (1) analyzing subsurface data and 2-D seismic data to identify areas where a 3-D seismic survey could be acquired for the generation of oil and gas prospects, (2) negotiating mineral rights with large landowners in prospective areas, and (3) reprocessing of older 3-D seismic surveys utilizing new technology. Once

that is determined, the technical team surveys prospective areas for new oil and gas deposits and what methods might be employed to identify those likely locations. In recent years, the predominant method used has been to conduct 3-D seismic surveys. Once a survey has been acquired, the team evaluates the seismic data.

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Company operated assets. In order to maintain better control over our assets, we have established a leasehold position comprised primarily of assets where we are the operator. By controlling operations, we are able to dictate the pace of development and better manage the cost, type and timing of exploration and development activities.

Experienced management team. We have a highly qualified management team with an average of approximately 30 years of industry experience, including extensive experience in the Gulf Coast region. Our team has substantial expertise in the design, acquisition, processing and interpretation of new 3-D seismic surveys, and our experienced operations staff allows for efficient turnaround from project identification to drilling to production.

Experienced board of directors. Our directors have substantial experience managing successful public companies and realizing value for investors through the development, acquisition and monetization of both conventional and unconventional oil and gas assets in the Gulf Coast region.

Description of Noteworthy Properties

We are the operator of properties containing approximately 79% of our proved oil and gas reserves. As operator, we are able to directly influence exploration, development and production operations. Our producing properties have reasonably predictable production profiles and cash flows, subject to commodity price fluctuations, and have provided a solid foundation for our technical staff to pursue the development of our undeveloped acreage, further develop our existing properties, and also generate new projects that we believe have the potential to increase stockholder value.

As is common in the industry we participate in non-operated properties on a selective basis; our non-operating participation decisions are dependent on the technical and economic nature of the projects and the operating expertise and financial standing of the operators. The following is a description of our major oil and gas properties.

Greater Masters Creek Field in the Austin Chalk Trend. Our Greater Masters Creek Field properties are located in the Allen, Vernon, Rapides and Beauregard Parishes in West Central Louisiana. We have approximately 76,178 net acres. Our proved reserves in the Greater Masters Creek Field area are predominantly liquids, with oil and natural gas liquids making up 74% of our proved Austin Chalk reserves as of December 31, 2013. Given that the area is an existing field which has previously been developed, there is extensive existing infrastructure available throughout our leases in the Greater Masters Creek Field.

We spudded our second operated Austin Chalk well, the Crosby 14-1, in the Greater Masters Creek Field. This well is located in Section 14 Township 2 South, Range 7 West in Vernon Parish, Louisiana. The Crosby 14-1 was drilled vertically to approximately 15,000 feet to the top of the Austin Chalk formation and then 3,100 feet horizontally in the Austin Chalk pay interval. We expect to have the well on production in November 2014.

La Posada – Bayou Hebert Field. Our La Posada asset is situated on the eastern flank of the Tigre Lagoon Planulina Embayment between Live Oak field and the Avery Island Salt Dome. We have a 12.5% working interest in La Posada, which is an oil and natural gas discovery located in Vermilion Parish, Louisiana. We generated the prospect by utilizing 40 square miles of 3-D seismic data recorded in 2004 targeted over a large lower Miocene structure. The primary objectives were the Lower Planulina Cris R sands, located at a depth of approximately 17,700 to 18,250 feet.

The prospect was successfully tested on the southern portion of the structure by the operator PetroQuest Energy in 2011. The Thibodeaux-1 well was drilled to a total depth of 19,079 feet and logged a net 217 feet of hydrocarbon bearing sand. The well was put on production in March 2012 and has cumulatively produced 21.4 Bcf of natural gas, 397 MBbl of oil and 39 Bbls of natural gas liquids per MMcf of natural gas from all sand intervals.

In 2012, the Broussard-2 well was drilled to a depth of 19,150 feet on the north side of the structure. This well logged a net 328 feet of hydrocarbon bearing sand in the Lower Planulina Cris R-1 and Cris R-2A, B and C sandstones. The well was put on production in September 2012 and has cumulatively produced 28.5 Bcf of natural gas and 495 MBbl of oil.

In 2013, the Broussard-1 well (originally drilled and temporarily abandoned in 2007) was re-entered and sidetracked to the upper Cris R sand as an acceleration well. The Broussard-1 sidetrack was drilled to a depth of 18,035 feet and encountered the upper productive sand. The well was put on production in May 2013 and has cumulatively produced 14.4 Bcf of natural gas and 299 MBbl of oil.

During the first half of 2014, the Bayou Hebert Field (our La Posada prospect discovery) produced at an average rate of 106 MMcf/d of natural gas, 1,900 Bbl/d of oil (plus natural gas liquids), and 2,200 Bbl/d of water. The production facility was designed to handle about 2,500 barrels of water per day. In July 2014, the Broussard No. 2 experienced an increase in water production from approximately 150 Bbl/d to 1,500 Bbl/d. Although the natural gas production from the well was not affected by the increase in water (as it could still produce over 50 MMcf/d) when the water continued to climb, both the Broussard No. 2 and the Thibodeaux No. 1 had to be choked back to avoid overrunning the water treatment capability. The net effect of this curtailment was that the field was down to 45 MMcf/d of natural gas and 850 Bbl/d of oil (plus associated natural gas liquids) in August 2014.

In September 2014, the operator reconfigured some of the production equipment and brought the production up to approximately 53 MMcf/d of natural gas and 1,000 Bbl/d of oil. It has also ordered higher capacity water treatment equipment that is expected to be installed on the production facility in late October 2014. With the installation of this additional equipment, we anticipate the field to be producing between 70 MMcf/d and 75 MMcf/d of natural gas and 1,500 Bbl/d of oil (plus natural gas liquids) starting in November 2014. We also expect that during the first quarter of 2015, the Thibodeaux No. 1 will be recompleted from its current "C" zone to the overlying "B" zone, after which the total production from the field is expected to increase to between 95 MMcf/d and 105 MMcf/d of natural gas and 1,700 Bbl/d to 1,900 Bbl/d of oil (plus natural gas liquids).

Livingston Prospects. South Louisiana has been one of the most prolific oil and gas producing provinces along the U.S. Gulf Coast. Oil and gas production in the vicinity of our Livingston Parish 3-D seismic survey area comes from several reservoirs that range from shallow Miocene sandstones to deep Lower Tuscaloosa sandstones, located in the St. Helena and Livingston Parishes, Louisiana. The primary exploration targets which produce in the region include intermediate depth Eocene Wilcox sandstones and the deeper Lower Tuscaloosa sandstones.

Our in-house team acquired, processed and interpreted the Livingston 3-D seismic survey that covers approximately 138 square miles of an area not previously imaged with a 3-D survey. We have leased 2,784 net acres (8,411 gross acres), and hold an average 33% working interest across the Livingston prospects.

Since acquisition of the 3-D seismic data, we have drilled five exploration wells with four discoveries. Three of the wells targeted the lower Tuscaloosa formation (oil), one well targeted the Wilcox formation (oil), and one well drilled for a shallow Miocene target (gas). Two development wells have also been drilled in the Lower Tuscaloosa as well as one development well in the Wilcox. Currently, three wells are producing from the Lower Tuscaloosa and two wells are producing from the Wilcox. The shallow Miocene discovery proved to be limited in size and was temporarily abandoned. One of the Tuscaloosa discoveries is shut-in due to high water production and is being evaluated for a workover in 2015. The current daily production from all five wells is 458 Bbl/d (net 104 Boe/d). We plan to drill a

lower Tuscaloosa prospect in the Livingston 3-D seismic survey area in the first half of 2015.

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We drilled our first Wilcox discovery on our Musial Prospect in 2013, the Starns 38-1. It was drilled to a depth of 10,000 feet and completed in the First Wilcox sand, the Starns well has produced 50,000 Bbls of oil and is currently flowing between 100 Bbl/d and 115 Bbl/d. In September 2014, we began producing on the Nettles 39-1, an eastern offset to the Starns 38-1, also from the First Wilcox sand. That well has been flowing oil at rates between 125 Bbl/d and 150 Bbl/d. Plans are being made to drill the third well in this discovery, the Blackwell 39-1. This will be an eastern offset to the Nettles 39-1, and we anticipate drilling to a depth of 10,000 feet in this Wilcox test. We plan to spud that well in mid-November 2014 and, if successful, we intend to have it on production at the end of 2014. Our working interest is 33%.

Bakken – Yellowstone and Southeast Homerun. We currently hold an average 5% non-operated working interest in 18,513 gross acres (965 net acres) across twenty-five (25) 1,280 acre drilling units in McKenzie County, North Dakota. Of the total acreage position, approximately 938 acres (96.2%) are held by production. We hold interests in six producing oil wells and two active salt water disposal wells. All producing wells are located over two fields, Yellowstone and Southeast Homerun. Our interests are currently operated by Zavanna, LLC, and Emerald Oil. Approximately 140 drilling locations remain across our Bakken asset. In addition, significant future infill and Three Forks development upside potential exists as we hold our working interest share over all depths of acreage on the leases.

Amazon 3-D Project. We shot a 70 square mile 3-D seismic survey in 2011 targeting the Frio (Hackberry and Marg Tex/Cib Haz/Camerina objectives) in this prolific producing fairway. The Hackberry is a “bright spot” play for natural gas with rich condensate yields found in stratigraphic traps at depths of approximately 13,000 feet. The Marg Tex/Cib Haz/Camerina objectives are found at depths around 9,000 feet typically in structural traps independent of the underlying Hackberry.

We plan to drill our Anaconda prospect in January 2015. This single well prospect is unique in that it has both Hackberry and Marg Tex objectives. The Hackberry exhibits a “bright spot” on the 3-D seismic the attributes of which are very similar to Hackberry discoveries drilled by Mayne & Mertz, Inc. within a mile of our location. The prospect is located on a structural closure where the Marg Tex interval has produced over 8 BCF from three wells. Our location is updip of those three productive wells and provides a secondary objective in the prospect. Our plan is to take a 25% working interest before casing point and retain a 36.75% working interest at casing point in the well.

Lake Fortuna Field (Raccoon Island). Our legacy producing Lake Fortuna asset was discovered in 1996 in St. Bernard Parish, Louisiana when our 3-D Raccoon Island prospect was drilled. The target was Middle Miocene sand on a known productive structure. In 2005, we acquired the majority of the working interest in Raccoon Island from Amerada Hess, and now own a working interest of 91%. The proved developed producing reserves for the field are 250 MBbl of oil net to our interest.

Chacahoula Field. Our legacy producing Chacahoula asset is a shallow piercement dome located in northern Lafourche Parish, Louisiana. Our acreage position in the Chacahoula asset is held by production and comprises approximately 11 net acres (45 gross acres) at Bolivar and 9 net acres (24 gross) at Point Loma. The total remaining proved reserves for the field are 319 MBbl of oil and 143 MMcf of gas net to our interest.

Chandeleur Block 71. We hold a 30% working interest in the producing Chandeleur Block 71 in St. Bernard Parish, Louisiana, over 348 net acres (1,343 gross acres).

Ringwood Field. We hold an 18.9% working interest in a successful infill development well located in Major County, Oklahoma. The Bertha No. 8-3 was completed in early April 2014 in the Hunton formation at a depth of 8,010 feet at an initial production rate of 150 barrels of oil per day.

Cat Canyon Field. Our asset in Cat Canyon field is located in Santa Barbara County, California. It is a single Monterey producer with 120 acres held by production. We have a 100% working interest. The field is surrounded by Monterey wells drilled from the late 1940's through 1982 on 10 acre spacing. The Monterey is found at a depth of 4,500 feet and is nearly 2,000 feet thick. The wells are drilled vertically, completed naturally (without fracing) and are put on pump immediately. We plan to drill our first operated well on this property in the first half of 2015.

Corporate Information

Yuma Energy, Inc. (formerly Pyramid Oil Company) was incorporated in California on October 9, 1909. Our principal offices are located at 1177 West Loop South, Suite 1825, Houston, Texas 77027, and our telephone number is (713) 968-7000. Our website is www.yumaenergyinc.com. Unless specifically incorporated by reference in this prospectus supplement and the accompanying prospectus, information that you may find on our website, or any other website, is not part of this prospectus supplement or the accompanying prospectus.

Summary Pro Forma Financial Data

The merger was accounted for under the Financial Accounting Standards Board's Accounting Standards Codification Topic 805 which governs transactions that are considered to be reverse acquisitions for accounting purposes. In the merger, the Company was the acquiror for legal purposes, but for accounting purposes, Yuma Co. was deemed to be the acquiror and the Company the acquiree.

The following table shows information about our financial condition and results of operations, including per share data, on a pro forma basis after giving effect to the merger. We refer to this information in this prospectus supplement as pro forma financial information. The table sets forth information relating to the merger as if it had become effective on June 30, 2014 with respect to balance sheet data (using currently available fair value information for Pyramid) and January 1, 2013, with respect to statement of operations data for the six months ended June 30, 2014 and for the year ended December 31, 2013.

The following table should be read together with, and is qualified in its entirety by, our historical financial statements, including the notes thereto, and the more detailed unaudited pro forma condensed financial information, including the notes thereto, incorporated by reference in this prospectus supplement. See "Incorporation of Certain Information by Reference."

The unaudited pro forma financial information, while helpful in illustrating the financial characteristics of the Company using certain assumptions, does not reflect the impact of possible revenue enhancements, expense efficiencies and asset dispositions, among other factors that may result as a consequence of the merger and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the Company would have been had they occurred as of the beginning of such periods.

	As of and for the Six Months Ended June 30, 2014	As of and for the Year Ended December 31, 2013
	(In thousands, except per share data)	
Pro Forma Statement of Operations Data		
Operating revenues	\$22,945	\$33,534
Net income (loss) available to common stockholders	\$(3,774)	\$(6,992)
Net income (loss) per common share:		
Basic	\$(0.05)	\$(0.10)
Diluted	\$(0.05)	\$(0.10)
Pro Forma Balance Sheet Data		
Total assets	\$138,746	
Long-term debt	\$24,775	
Stockholders' equity	\$57,107	

Summary Historical and Pro Forma Reserve Data

The following table sets forth information with respect to the historical and pro forma combined estimated oil, natural gas and natural gas liquids, or NGLs, reserves as of December 31, 2013 of Yuma Co. and Pyramid. This pro forma information gives effect to the merger as if it occurred on December 31, 2013. The Yuma Co. and Pyramid reserve data presented below was derived from independent engineering reports of each company. Netherland, Sewell & Associates, Inc. (“NSAI”) prepared the Yuma Co. reserve estimates as of December 31, 2013, and MHA Petroleum Consultants, Inc. (“MHA”) prepared the Pyramid reserve estimates as of December 31, 2013. Future exploration, exploitation and development expenditures, as well as future commodity prices and service costs, will affect the reserve volumes attributable to our properties. The reserve estimates shown below were determined using a 12-month average price for oil, natural gas and natural gas liquids for the year ended December 31, 2013.

	Estimated Quantities of Reserves as of December 31, 2013		
	Yuma Co. Historical	Pyramid Historical	Pro Forma Combined
Estimated Proved Reserves:			
Oil (MBbls)	11,615	450	12,065
NGL (MBbls)	2,767	-	2,767
Natural Gas (MMcf)	38,372	14	38,386
Total (Mboe)(1)	20,777	452	21,229
Estimated Proved Developed Reserves:			
Oil (MBbls)	1,607	450	2,057
NGL (MBbls)	493	-	493
Natural Gas (MMcf)	10,317	14	10,331
Total (Mboe)(1)	3,819	452	4,271
Estimated Proved Undeveloped Reserves:			
Oil (MBbls)	10,008	-	10,008
NGL (MBbls)	2,275	-	2,275
Natural Gas (MMcf)	28,056	-	28,056
Total (Mboe)(1)	16,958	-	16,958

(1) Assumes a ratio of 6 Mcf of natural gas per barrel of oil.

The following table sets forth summary historical and pro forma combined oil, natural gas and natural gas liquids production information for the six months ended June 30, 2014 and for the year ended December 31, 2013. This pro forma information gives effect to the merger as if it occurred on January 1, 2014 and January 1, 2013 for the six and twelve month periods, respectively. The historical Pyramid and Yuma Co. oil, natural gas and natural gas liquids production data presented below is derived from the independent engineering reports of each company.

Production	Six Months Ended June 30, 2014			Year Ended December 31, 2013		
	Yuma Co. Historical	Pyramid Historical	Pro Forma Combined	Yuma Co. Historical	Pyramid Historical	Pro Forma Combined
Oil (Bbls)	123,490	20,000	143,490	184,349	43,000	227,349
NGL (Bbls)	60,932	-	60,632	51,875	-	51,875
Natural Gas (Mcf)	1,716,404	-	1,716,404	1,580,468	6,000	1,586,468
Total (Boe)(1)	470,490	20,000	490,490	499,635	44,000	543,635

- (1) Assumes a ratio of 6 Mcf of natural gas per barrel of oil.

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THE OFFERING

The following is a brief summary of certain terms of the Series A Preferred Stock and this offering. For a description of the Series A Preferred Stock, please see the sections entitled “Description of the Series A Preferred Stock” in this prospectus supplement and “Description of Preferred Stock” in the accompanying prospectus.

Issuer Yuma Energy, Inc.

Offered shares of % Series A Cumulative Redeemable Preferred Stock.

Offering Price per share of Series A Preferred Stock.

Dividends Holders of the Series A Preferred Stock will be entitled to receive cumulative cash dividends accruing from, and including, the date of original issuance at an annual rate of % per annum, based on the \$25.00 per share liquidation preference (equivalent to per annum per share).

Under certain conditions relating to non-payment of dividends on the Series A Preferred Stock or if the Series A Preferred Stock is no longer listed on a National Exchange, the dividend rate on the Series A Preferred Stock shall be increased by 2.0% per annum (which will be the equivalent of a % rate per annum), which is referred to as the “Penalty Rate.”

Dividends will be payable monthly on the 1st day of each calendar month; provided that if any dividend payment date is not a business day, then the dividend which would have been payable on that dividend payment date will be paid on the next succeeding business day. Dividends will accrue and be cumulative from, and including, the date of original issuance, which is expected to be , 2014.

All dividends shall accrue daily during the relevant dividend period. For the definition of “dividend payment date” and “dividend period” please see the section entitled “Description of the Series A Preferred Stock—Dividends.”

Penalties as a Result of Failure to Maintain a Listing on a National Exchange If we fail to maintain a listing of the Series A Preferred Stock on the New York Stock Exchange, the NYSE MKT or The NASDAQ Global, Global Select or Capital Market, or a comparable national exchange (each a “National Exchange”), for 180 consecutive days, then (i) the annual dividend rate on the Series A Preferred Stock will be increased to the Penalty Rate on the 181st day, and (ii) the holders of Series A Preferred Stock, voting separately as a class upon which like voting rights have been conferred and are exercisable, will have the right to elect two directors to serve on our board of directors in addition to those directors then serving on such board. Such increased dividend rate and director service will continue for so long as the shares of Series A Preferred Stock are not listed on a National Exchange.

Penalties as a Result of Failure to Pay Dividends If, at any time, there is a dividend default because cash dividends on the outstanding Series A Preferred Stock are accrued but not paid in full for any monthly dividend period within a quarterly period for a total of six (6) consecutive or non-consecutive quarterly periods, then, (i) the annual dividend rate on the Series A Preferred Stock will be increased to the Penalty Rate commencing on the first day after the dividend payment date on which such dividend default occurs; and (ii) the holders of Series A Preferred Stock, voting separately as a class will have the right to elect two directors to serve on our board of directors, in addition to those directors then serving on such board. Once all of the accumulated and unpaid dividends on the Series A Preferred Stock have been paid in full and cash dividends at the Penalty Rate have been paid in full for the two most recent quarterly periods, the dividend rate will be

restored to the stated rate and the term of office of all directors so elected will terminate with the termination of such voting rights. The foregoing provisions will not be applicable unless there is again a failure to pay a dividend during any future monthly period.

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No Maturity The Series A Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption. Shares of the Series A Preferred Stock will remain outstanding indefinitely unless we decide to redeem or otherwise repurchase them as described below under “—Optional Redemption” or “—Special Optional Redemption” or they are converted by the holders thereof as described below under “—Conversion Rights.” We are not required to set aside funds to redeem the Series A Preferred Stock.

Optional Redemption The Series A Preferred Stock is not redeemable until the third anniversary of the date we initially issue the Series A Preferred Stock, except as described below under “—Special Optional Redemption.” On and after the third anniversary of the date we initially issue the Series A Preferred Stock we may, at our option, redeem the Series A Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25.00 per share, plus any accumulated and unpaid dividends to, but not including, the date fixed for redemption. See “Description of the Series A Preferred Stock—Redemption—Optional Redemption.”

Special Optional Redemption Upon the occurrence of a Change of Control as defined below, provided no Limiting Document (as defined below) may prohibit it, we may, at our option, upon not less than 30 nor more than 60 days’ written notice, redeem the Series A Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price of \$25.00 per share, plus any accumulated and unpaid dividends to, but not including, the date fixed for redemption. If, prior to the Change of Control Conversion Date (as defined herein), we have provided notice of our election to redeem some or all of the shares of Series A Preferred Stock (whether pursuant to our optional redemption right described above or this special optional redemption right), the holders of Series A Preferred Stock will not have the Change of Control Conversion Right described below under “Conversion Rights” with respect to the shares of Series A Preferred Stock called for redemption. Please see the section entitled “Description of the Series A Preferred Stock—Redemption—Special Optional Redemption” in this prospectus supplement.

A “Change of Control” is deemed to occur when, after any share of Series A Preferred Stock is originally issued by the Company, any of the following has occurred and is continuing on the date:

a “person” or “group” (within the meaning of Sections 13(d) and 14(d) of the Exchange Act) becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person or group shall be deemed to have beneficial ownership of all shares of voting stock that such person or group has the right to acquire regardless of when such right is first exercisable), directly or indirectly, of voting stock representing more than 50% of the total voting power of our total voting stock;

we sell, transfer, or otherwise dispose of all or substantially all of our assets; or

the consummation of a merger or share exchange with another entity when our stockholders immediately prior to the merger or share exchange would not beneficially own, immediately after the merger or share exchange, shares representing 50% or more of the outstanding voting stock of the entity issuing cash or securities in the merger or share exchange (without consideration of the rights of any class of stock to elect directors by a separate group vote), or when members of our board of directors immediately prior to the merger or share exchange would not, immediately after the merger or share exchange, constitute a majority of the board of directors of the entity issuing cash or securities in the merger or share exchange.

Conversion Rights Upon the occurrence of a Change of Control, each holder of Series A Preferred Stock will have the right, subject to our election to redeem the Series A Preferred Stock in whole or part, as described above under “—Optional Redemption” or “—Special Optional Redemption,” prior to the Change of Control Conversion Date, to convert some or all of the Series A Preferred Stock held by such holder on the Change of Control Conversion Date into a number of shares of our common stock per share of Series A Preferred Stock equal to the lesser of:

the quotient obtained by dividing (i) the sum of the \$25.00 liquidation preference per share of Series A Preferred Stock plus the amount of any accumulated and unpaid dividends thereon to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a dividend record date (as defined herein) and prior to the corresponding dividend payment date (as defined herein) for the Series A Preferred Stock, in which case no additional amount for such accrued and unpaid dividends will be included in this sum) by (ii) the Common Stock Price (as defined herein); and

(the “Share Cap”), subject to adjustments for any splits, subdivisions or combinations of our common stock;

in each case, on the terms and subject to the conditions described in this prospectus supplement, including provisions for the receipt, under specified circumstances, of alternative consideration as described in this prospectus supplement.

For definitions of “Change of Control Conversion Right,” “Change of Control Conversion Date” and “Common Stock Price” and a description of certain adjustments and provisions for the receipt of alternative consideration that may be applicable to the conversion of Series A Preferred Stock in the event of a Change of Control, and for other important information, please see the section entitled “Description of the Series A Preferred Stock—Change of Control Conversion Rights.” For definitions of “dividend payment date” and “dividend record date,” please see the section entitled “Description of the Series A Preferred Stock—Dividends.”

Liquidation Preference If we liquidate, dissolve or wind up, holders of the Series A Preferred Stock will have the right to receive \$25.00 per share, plus any accumulated and unpaid dividends to, but not including, the date of payment, before any payment is made to the holders of our common stock. Please see the section entitled “Description of the Series A Preferred Stock—Liquidation Preference.”

Ranking The Series A Preferred Stock will rank, with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up, (A) senior to all classes or series of our common stock and to all other equity securities issued by us other than equity securities referred to in clause (B); (B) on parity with our preferred stock and all other equity securities issued by us with terms specifically providing that those equity securities rank on parity with the Series A Preferred Stock with respect to rights to the distribution of our assets upon liquidation, dissolution or winding up; and (C) effectively junior to all of our existing and future indebtedness and to the indebtedness of our existing subsidiary and any future subsidiaries. Please see the section entitled “Description of the Series A Preferred Stock—Ranking.”

Voting Rights Holders of Series A Preferred Stock will generally have no voting rights. However, if we do not pay dividends on the Series A Preferred Stock for any monthly dividend period within a quarterly period for a total of six (6) consecutive or non-consecutive quarterly periods, the holders of the Series A Preferred Stock (voting separately as a class with the holders of all other classes or series of our equity securities we may issue upon which similar voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series A Preferred Stock in the election referred to below) will be entitled to vote for the election of two additional directors to serve on our board of directors until we pay, or declare and set aside funds for the payment of, all dividends that we owe on the Series A Preferred Stock, subject to certain limitations described in the section entitled “Description of the Series A Preferred Stock—Voting Rights.” In addition, the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock is required for us to authorize or issue any class or series of stock ranking senior to the Series A Preferred Stock with respect to the payment of dividends or the distribution of assets on liquidation, dissolution or winding up, to amend any provision of our restated articles of incorporation so as to materially and adversely affect any rights of the Series A Preferred Stock or to take certain other actions. Please see the section entitled “Description of the Series A Preferred Stock—Voting Rights.”

Information Rights During any period in which we are not subject to Section 13 or 15(d) of the Exchange Act and any shares of Series A Preferred Stock are outstanding, we will use our best efforts to (i) transmit by mail (or other permissible means under the Exchange Act) to all holders of Series A Preferred Stock, as their names and addresses appear on our record books and without cost to such holders, copies of the annual reports on Form 10-K and quarterly reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required) and (ii) promptly, upon request, supply copies of such reports to any holders or prospective holders of Series A Preferred Stock, subject to certain exceptions described in this prospectus supplement. We will use our best efforts to mail (or otherwise provide) the information to the holders of the Series A Preferred Stock within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the SEC, if we were subject to Section 13 or 15(d) of the Exchange Act, in each case, based on the dates on which we would be required to file such periodic reports if we were a “non-accelerated filer” within the meaning of the Exchange Act.

Listing No current market exists for the Series A Preferred Stock. We have filed an application to list the Series A Preferred Stock on the NYSE MKT. In order to list, the NYSE MKT requires that there will be at least 100,000 shares of Series A Preferred Stock publicly held having an aggregate market value of at least \$2,000,000. If approved for listing, we expect that trading on the NYSE MKT will commence within 30 days after the date of initial issuance of the Series A Preferred Stock. Certain of the underwriters have advised us that they intend to make a market in the Series A Preferred Stock prior to the commencement of any trading on the NYSE MKT, but they are not obligated to do so and may discontinue market making at any time without notice. We cannot assure you that a market for the Series A Preferred Stock will develop prior to commencement of trading on the NYSE MKT or, if developed, will be maintained or will provide you with adequate liquidity.

Use of Proceeds We expect to utilize most of the net proceeds from the sale of shares of the Series A Preferred Stock to pre-pay outstanding indebtedness under our credit agreement. Further, we expect to use any remaining net proceeds to us along with our cash flow and our credit facility to fund drilling and development expenditures on our on our existing inventory of exploration and development drilling projects and for incremental leasehold acquisitions. Please see the section entitled “Use of Proceeds” in this prospectus supplement on page S-28.

Risk Factors Investing in our Series A Preferred Stock involves risks. You should carefully consider the risks described under “Risk Factors” in this prospectus supplement, in our most recent Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q as well as the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus before making a decision to invest in our securities.

Material U.S. Federal Income Tax Considerations For a discussion of the material federal income tax consequences of purchasing, owning and disposing of the Series A Preferred Stock and any common stock received upon conversion of the Series A Preferred Stock, please see the section entitled “Material U.S. Federal Income Tax Consequences.” You should consult your tax advisor with respect to the U.S. federal income tax consequences of owning the Series A Preferred Stock in light of your own particular situation and with respect to any tax consequences arising under the laws of any state, local, foreign or other taxing jurisdiction.

Book-Entry and Form The Series A Preferred Stock will be issued and maintained in book entry form registered in the name of the nominee of The Depository Trust Company, or “DTC.”

RISK FACTORS

Investing in our securities involves risks. Our business, financial condition, operating results and cash flows can be impacted by a number of factors, any of which could cause our results to vary materially from recent results or from our anticipated future results. See the risk factors described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, as amended, together with any material changes thereto contained in the subsequently filed Quarterly Reports on Form 10-Q, and those contained in our other filings with the SEC, which are incorporated by reference in this prospectus. See “Incorporation of Certain Information by Reference” beginning on page S-57. Before making an investment decision, you should carefully consider these risks as well as other information we include or incorporate by reference in this prospectus supplement and the accompanying prospectus. These risks could materially affect our business, results of operations or financial condition and cause the value of our securities to decline. You could lose all or part of your investment.

Risks Relating to This Offering

The Series A Preferred Stock is a new issuance of securities and does not have an established trading market, which may negatively affect its market value and your ability to transfer or sell your shares; the Series A Preferred Stock has no stated maturity date.

The shares of Series A Preferred Stock are a new issuance of securities with no established trading market. Since the securities have no stated maturity date, investors seeking liquidity will be limited to selling their shares in the secondary market. Subject to issuance, we anticipate that our shares of Series A Preferred Stock will be approved for listing on the NYSE MKT under the symbol “YUMAprA.” An active trading market for the shares may not develop or, even if it develops, may not last, in which case the trading price of the shares could be adversely affected and your ability to transfer your shares of Series A Preferred Stock will be limited.

The market value of the Series A Preferred Stock could be adversely affected by various factors.

The trading price of the shares of Series A Preferred Stock may depend on many factors, including:

market liquidity;

prevailing interest rates;

the market for similar securities;

general economic conditions; and

our financial condition, performance and prospects.

For example, higher market interest rates could cause the market price of the Series A Preferred Stock to decrease.

We could be prevented from paying cash dividends on the Series A Preferred Stock.

Although dividends on the series A Preferred Stock are cumulative and arrearages will accrue until paid, you will only receive cash dividends on the Series A Preferred Stock if we have funds legally available for the payment of dividends and such payment is not restricted or prohibited by law.

Under California law, cash dividends on capital stock may not be paid if, after giving such dividend payment effect, we would be unable to pay our debts as they become due or our total assets would be less than our total liabilities.

Unless we continue to have more assets than liabilities, our ability to pay cash dividends on the Series A Preferred Stock would require we pay dividends out of the excess of the amount of our assets over the amount of our liabilities.

Further, even if the amount of our assets exceeds our liabilities, we may not have sufficient cash to pay dividends on the Series A Preferred Stock.