Enservco Corp
Form 10-K
March 22, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the fiscal year ended December 31, 2017

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the transition period from _______ to ______

Commission file number: 001-36335

ENSERVCO CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**84-0811316** (IRS Employer Identification No.)
501 South Cherry St., Ste. 1000	
Denver, CO (Address of principal executive offices)	**80246** (Zip Code)

Registrant's telephone number: **(303) 333-3678**

Securities registered pursuant to Section 12(b) of the Securities Exchange Act:

Title of each class	Name of each exchange on which registered
Common stock, $0.005 par value	**NYSE American**

Securities registered pursuant to Section 12(g) of the Securities Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act: Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

The aggregate market value of the common stock held by non-affiliates of the Registrant was approximately $12.2 million based upon the closing sale price of the Registrants Common Stock of $0.31 as of June 30, 2017, the last trading day of the registrants most recently completed second fiscal quarter. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 15, 2018, there were 51,263,334 shares of the Enservco Corporation’s common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant’s definitive information statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the registrant's fiscal year ended December 31, 2017, in connection with the registrant’s 2018 Annual Meeting of Shareholders, are incorporated herein by reference into Part III of this Annual Report on Form 10-K.

TABLE OF CONTENTS

CAUTIONARY STATEMENT

REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains certain statements that are, or may be deemed to be, "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"). In some cases, you can identify forward-looking statements by terms such as "may," "anticipate," "should," "could," "project," "intend," "estimate," "expect," "predict," "budget," "goal," "plan," "forecast," "target" and other similar expressions.

All statements, other than statements of historical facts, contained in this annual report are forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, many factors could cause our actual results to differ materially from what is expressed in or indicated by the forward-looking statements. Forward-looking statements are subject to known and unknown risks and uncertainties, including, among others, the risks set forth in the section of this annual report entitled "Risk Factors" and elsewhere throughout this annual report, as well as the following factors:

- capital requirements and uncertainty of obtaining additional funding on terms acceptable to us;
- our ability to negotiate with our lender under our credit agreement in seeking to waive potential bank agreement covenant violations and to receive more favorable covenant terms and maintain or allow more borrowing capacity;
- price volatility of oil and natural gas prices, and the effect that lower oil and natural gas prices may have on our customers' demand for our services, the result of which may adversely impact our revenues and stockholders' equity;
- a decline in oil or natural gas production, and the impact of general economic conditions on the demand for oil and natural gas and the availability of capital which may impact our ability to perform services for our customers;
- the broad geographical diversity of our operations which, while expected to diversify the risks related to a slow-down in one area of operations, also adds significantly to our costs of doing business;
- constraints on us as a result of our substantial indebtedness, including restrictions imposed on us under the terms of our credit facility agreement and our ability to generate sufficient cash flows to repay our debt obligations;
- our history of losses and working capital deficits which, at times, were significant;
- weather and environmental conditions, including abnormal warm winters in our areas of operations that adversely impact demand for our services;
- reliance on a limited number of customers;
- our ability to retain key members of our management and key technical employees;
- impact of environmental, health and safety and other governmental regulations, and of current or pending legislation with which we and our customers must comply;
- developments in the global economy;
- changes in tax laws;
- the effects of competition;
- the effect of seasonal factors;

- risks relating to any unforeseen liabilities;
- federal and state initiatives relating to the regulation of hydraulic fracturing; and
- further sales or issuances of our common stock and the price and volume volatility of our common stock.

All forward-looking statements, express or implied, contained in this annual report are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements to reflect events or circumstances after the date of this annual report.

PART I

ITEM 1. BUSINESS

Overview

Enservco Corporation ("Enservco") and its wholly-owned subsidiaries (collectively referred to as the "Company", "we" or "us") provides various services to the domestic onshore oil and natural gas industry. These services include frac water heating, hot oiling and acidizing (well enhancement services); water transfer and water treatment (water transfer services); water hauling, fluid disposal, frac tank rental (water hauling services); and, excavating, grading, and dirt hauling services (construction services). The Company owns and operates a fleet of more than 630 specialized trucks, trailers, frac tanks and other well-site related equipment and serves customers in several major domestic oil and gas fields including the DJ Basin/Niobrara area in Colorado, the Bakken area in North Dakota, the Marcellus and Utica Shale area in Pennsylvania and Ohio, the Jonah Field, Green River and Powder River Basins in Wyoming, the Eagle Ford Shale and Austin Chalk in Texas, the Mississippi Lime and Hugoton field area in Kansas and the Stack and Scoop plays in the Anadarko Basin in Oklahoma.

Enservco was originally incorporated as Aspen Exploration Corporation under Delaware law on February 28, 1980 for the primary purpose of acquiring, exploring and developing oil and natural gas and other mineral properties. During the first half of 2009, Aspen disposed of its oil and natural gas producing assets and as a result was no longer engaged in active business operations. On June 24, 2010, Aspen entered into an Agreement and Plan of Merger and Reorganization with Dillco Fluid Service, Inc. ("Dillco") which set forth the terms by which Dillco became a wholly owned subsidiary of Aspen on July 27, 2010. On December 30, 2010, Aspen changed its name to "Enservco Corporation."

The Company's executive (or corporate) offices are located at 501 South Cherry St., Ste. 1000, Denver, CO 80246. Our telephone number is (303) 333-3678, and our facsimile number is (720) 974-3417. Our website is www.enservco.com.

Corporate Structure

The below table provides an overview of the Company’s current subsidiaries and their activities.

Name	**State of Formation**	**Ownership**	**Business**
Heat Waves Hot Oil Service LLC (“Heat Waves”)	Colorado	100% by Enservco	Oil and natural gas well services, including logistics and stimulation.
Dillco Fluid Service, Inc.	Kansas	100% by Enservco	Oil and natural gas field fluid logistic services primarily in the Hugoton field area in western Kansas and northwestern Oklahoma.
Heat Waves Water Management LLC (“HWWM”)	Colorado	100% by Enservco	Water Transfer and Water Treatment Services
HE Services, LLC (“HES”)	Nevada	100% by Heat Waves	No active business operations. Owns construction equipment used by Heat Waves.
Real GC, LLC (“Real GC”)	Colorado	100% by Heat Waves	No active business operations. Owns real property in Garden City, Kansas that is used by Heat Waves.

In November 2015, HWWM was organized under Colorado law as a wholly owned subsidiary of Enservco for the purpose of launching a water transfer service division. Effective January 1, 2016, HWWM acquired various water transfer assets from WET Oil Services, LLC (‘WET”) including vehicles, high and low volume pumps, manifolds, pipe, and other support equipment. In addition, effective January 1, 2016, HWWM acquired water treatment equipment which utilizes technology in devices sold under the name of HydroFLOW and various water transfer assets including high and low volume pumps, lay flat hose, trailers, generators, pipe and other equipment from HII Technologies, Inc. and its affiliates (“HIIT”). The total purchase price for both acquisitions was approximately $4.3 million. HydroFLOW products offer water treatment services based on patented hydropath technology that can remove bacteria and scale from water using electrical induction to reduce or eliminate down-hole scaling and corrosion. HWWM provides water transfer services and water treatment services to the onshore oil and natural gas sector.

Overview of Business Operations

Enservco primarily conducts its business operations through its principal operating subsidiaries (Heat Waves, HWWM, and Dillco), which provide oil field services to the domestic onshore oil and natural gas industry. These services include frac water heating, hot oiling, pressure testing, acidizing, water transfer, bacteria and scale treatment, freshwater and saltwater hauling, fluid disposal, frac tank rental, well site construction and other general oil field services. As described in the table above, certain assets utilized by Heat Waves, HWWM, and Dillco in their business operations are owned by other subsidiary entities. The Company currently operates in the following geographic regions:

Rocky Mountain Region, including eastern Colorado and southern Wyoming (D-J Basin and Niobrara formations), central Wyoming (Powder River and Green River Basins), northwestern New Mexico (San Juan Basin), and western North Dakota and eastern Montana (Bakken area). The Rocky Mountain Region operations are deployed from Heat Waves’ operations centers in Killdeer, ND; Rock Springs, WY; and, Platteville, CO.

Eastern USA Region, including the southern region of the Marcellus Shale formation (southwestern Pennsylvania and northern West Virginia) and the Utica Shale formation in eastern Ohio. The Eastern USA Region operations are deployed from Heat Waves’ operations center in Carmichaels, PA.

Central USA Region, including the Mississippi Lime and Hugoton area in southwestern Kansas, Texas panhandle, and northwestern Oklahoma, and the Eagle Ford Shale and Austin Chalk in south Texas. The Central USA Region operations are deployed from operations centers in Garden City and Hugoton, KS; Okarche, OK; and in Bryan and Jourdanton, TX.

Historically, the Company focused its growth strategy on strategic acquisitions of operating companies and expansion of services through capital investment consisting of the acquisition and fabrication of property and equipment. That strategy also included expanding into new geographical territories as well as expanding the services it provides. These strategies are exemplified by these activities:

(1) From 2014 through 2016, the Company spent approximately $33.7 million for the acquisition and fabrication of additional frac water heating, hot oiling, and acidizing equipment; and

(2) To expand its footprint, in early 2010 Heat Waves began providing services in the Marcellus Shale natural gas field in southwestern Pennsylvania and West Virginia, and in September 2011 Heat Waves extended its services into the D-J Basin / Niobrara formation and the Bakken formation through opening new operation centers in southern Wyoming and western North Dakota, respectively. In late 2012 the Company expanded its operations, through its Pennsylvania operation center, into the Utica Shale formation in eastern Ohio. Also, in early 2015 the Company expanded its operations into the Eagle Ford formation through opening a new operations center in southern Texas. During 2017, the Company expanded operations in southern Texas by opening a new operations center In Bryan, Texas.

(3) To expand its services, in January 2016, Enservco acquired various water transfer assets for approximately $4.3 million in order to provide water transfer services and bacteria and scaling treatment solutions to its customers in all of its operating areas.

The years 2014 through early 2017 were challenging for us. The decline in drilling, completion and service activities throughout the industry that started in 2014 and continued during most of 2016 due to low oil and natural gas prices resulted in significantly reduced demand for our services in 2015 and 2016. Positive developments occurred in 2017 as industry conditions improved, with increased and stable commodity prices and an increase in completion and production activities, which we believe had an impact on us beginning with our fourth quarter 2017 results. To fund operations through the downturn and into the recent recovery, we have relied on cash provided by various lenders, including senior lenders pursuant to our credit facilities. Our borrowing balance historically peaks early in the first quarter of the year as the increase in our direct variable costs related to our frac water heating services are incurred and paid. During the latter portion of the first quarter and throughout the second quarter we convert the related receivables into cash which we use to reduce our outstanding borrowings. As of March 15, 2018, we had approximately $25.7 million outstanding and $4.1 million available under our revolving credit facility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further information.

As the domestic onshore oil and natural gas industry continues the current recovery, the Company expects to continue to pursue its growth strategies by increasing utilization of its existing fleet of equipment, increasing the volume and scope of current services offered to our new and existing customers, exploring acquisitions relating to existing or complimentary service lines as capital and market conditions permit, expanding the geographic areas in which it operates, and making further investments in adding to its assets and equipment.

Operating Entities

As noted above, Enservco conducts its business operations and holds assets primarily through its subsidiary entities. The following describes the operations and assets of Enservco's operating subsidiaries.

Dillco. From its inception in 1974, Dillco has focused primarily on providing water hauling/disposal/storage services, well site construction services and frac tank rental to energy companies working in the Hugoton gas field in southwestern Kansas and northwestern Oklahoma. Water hauling and disposal services have been the primary sources of Dillco's revenue. Dillco currently owns and operates a fleet of water hauling trucks and related assets, including specialized tank trucks, frac tanks, water disposal wells, construction and other related equipment. These assets transport, store and dispose of both fresh and salt water, as well as provide well site construction and maintenance services.

Heat Waves. Heat Waves provides a range of well stimulation/maintenance services to a diverse group of independent and major oil and natural gas companies. The primary services provided are intended to:

(1) Assist in the fracturing of formations for newly drilled oil and natural gas wells; and
(2) Help maintain and enhance the production of existing wells throughout their productive life.

These services consist of frac water heating, hot oiling and acidizing. Heat Waves also provides some water hauling and well site construction services. Heat Waves' operations are currently in the major oil and natural gas areas in Colorado, Kansas, Montana, North Dakota, Ohio, Oklahoma, Pennsylvania, Texas, West Virginia, and Wyoming.

HWWM. HWWM was organized in November 2015 as a new wholly owned subsidiary of Enservco for the purpose of launching a new water management division. In connection therewith, HWWM acquired approximately $4.3 million of water management assets from HIIT and WET in January 2016.

HWWM provides water transfer services, bacteria and scaling treatment solutions, and equipment rental to customers in the oil and natural gas industry. Water transfer entails using high and low volume pumps, lay flat hose, aluminum pipe and manifolds to move fresh and/or recycled water from a water source such as a well, pond, lake, river, stream, or water storage facility to frac tanks at drilling locations to be used in connection with well completion activities. In addition to providing traditional water transfer services, HWWM also utilized a patented hydropath technology (distributed under the name of HydroFLOW) to provide bacteria and scaling treatment services to the oil and gas industry. HydroFLOW utilizes electrical induction to reduce or eliminate down-hole scaling and corrosion and to reduce or eliminate bacteria in water. The hydropath technology is owned by HydroPath Holdings Limited. Pursuant to a Sales Agreement with the North American master distributor, HydroFLOW U.S.A., HWWM had the exclusive right to sell or rent HydroFLOW devices in connection with bacteria deactivation and scale treatment services for treating injection and disposal wells, fracking water and recycled water in the oil and gas industry to customers in the United States (except in Texas where the right regarding injection and disposal wells is exclusive to only 20 companies but non-exclusive for the remaining companies in Texas). HydroFLOW has a potentially lower-cost and environmentally friendly alternative to conventional chemical treatment of frac and recycled water which could significantly reduce the use, and therefore cost, of chemicals now used by oil and gas companies; however, in 2017 demand for the technology did not support our previous purchase commitments to HydroFLOW. Therefore, as of January 1, 2018, HWWM terminated its agreement with HydroFLOW.

Areas of Operations

The following map shows the primary areas in which the Company currently operates.

Business Segments

Enservco, through its operating subsidiaries, provides a range of services to owners and operators of oil and natural gas wells in the following business segments.

Well Enhancement Services

The Company's well enhancement services consist of frac water heating, acidizing, hot oiling services, and pressure testing. These services are provided primarily by Heat Waves which, as of December 31, 2017 utilized a fleet of approximately 240 custom designed trucks and other related equipment. Heat Waves' operations are currently in southwestern Kansas, northwestern Oklahoma, Texas panhandle, southern Wyoming (Niobrara), Colorado (D-J Basin), southwestern Pennsylvania/northwestern West Virginia (Marcellus Shale), eastern Ohio (Utica Shale), western North Dakota and eastern Montana (Bakken formation), and southern Texas (Eagle Ford Shale and Austin Chalk). Well enhancement services accounted for approximately 85% and 73% of the Company's total revenues for fiscal years ended December 31, 2017 and 2016, respectively.

Frac Water Heating – Frac Water Heating is the process of heating water used in connection with the fracturing process of completing a well. Fracturing services are intended to enhance the production from crude oil and natural gas wells through the creation of conductive flowpaths to enable the hydrocarbons to reach the wellbore where the natural flow has been restricted by underground formations. The fracturing process consists of pumping a fluid slurry, which largely consists of fresh water and a proppant into a well at sufficient pressure to fracture (i.e. create conductive flowpaths) the formation. To ensure these solutions are properly mixed and can flow freely, during certain parts of the year the water frequently needs to be heated to a sufficient temperature as determined by the well owner/operator. As of December 31, 2017, Heat Waves owned and operated a fleet of 52 frac heaters (or the equivalent of 80 burner boxes) designed to heat large amounts of water.

Acidizing - Acidizing entails pumping large volumes of specially formulated acids and/or chemicals into a well to dissolve materials blocking the flow of the crude oil or natural gas. The acid is pumped into the well under pressure. Acidizing is most often used to increase permeability throughout the formation, clean up formation damage near the wellbore caused by drilling, and to remove buildup of materials restricting the flow of crude oil and gas through perforations in the well casing. For most customers, Heat Waves supplies the acid solution and also pumps that solution into a given well. As of December 31, 2017, Heat Waves owned and operated a fleet of 7 acidizing units which consist of a specially designed acid pump truck and an acid transport trailer.

Hot Oil Services – Hot oil services involve the circulation of a heated fluid, typically oil, to dissolve, melt, or dislodge paraffin or other hydrocarbon deposits from the tubing of a producing well. Paraffin deposits build up over time from normal production operations, although the rate at which this paraffin builds up depends on the chemical character of the crude oil or natural gas being produced. These services are performed by circulating and heating oil from a well through a hot oil truck and then pumping it down the casing and back up the tubing to remove the deposits.

Hot oil servicing also includes the heating of oil storage tanks. The heating of storage tanks is done (i) to eliminate frozen water and other soluble waste in the tank for which the operator’s revenue is reduced at the refinery; and (ii) because heated oil flows more efficiently from the tanks to transports taking oil to the refineries in colder weather.

As of December 31, 2017, Heat Waves owned and operated a fleet of 57 hot oil trucks. Based on customer needs and seasonal conditions, these vehicles are deployed among the service regions as necessary in seeking to maximize their productive time.

Pressure Testing **–** Pressure testing consists of pumping fluids into new or existing wells or other components of the well system such as flow lines to detect leaks. Hot oil trucks and pressure trucks are used to perform this service.

Water Transfer Services

Water transfer services consists primarily of water transfer services. These services commenced in first quarter of 2016 with revenue being generated in the fourth quarter of 2016 after acquisition of water transfer assets from WET and HIIT in January 2016. Water transfer services accounted for approximately 5% and 1% of the Company's total revenues for fiscal 2017 and 2016, respectively.

Water Transfer Services – Water transfer entails using high and low volume pumps, lay flat hose, aluminum pipe and manifolds to move fresh and/or recycled water from a water source such as a pond, lake, river, stream, or storage facility to frac tanks at drilling locations to be used in connection with fracking activities. Water transfer differs from water hauling in that water transfer is typically used in connection with well completion activities and involves moving water via pumps, hoses and pipes whereas water hauling involves moving water via bobtail trucks or water transports for either service or completion work.

Water Hauling Services

Water hauling services include water hauling, salt water disposal, and frac tank rental services. These services are primarily provided by Dillco to customers in the Hugoton gas field in western Kansas and northwestern Oklahoma. Water hauling services accounted for approximately 9% and 16% of the Company's total revenues for fiscal 2017 and 2016, respectively.

Water Hauling – As of December 31, 2017, the Company owned or leased, and operated approximately 67 water hauling trucks and trailers equipped with pumps to move water from/to wells, tanks and other storage facilities. A majority of the Company's trucks consist of transports with a hauling capacity of up to 130 barrels (each barrel being equal to 42 U.S. gallons). The trucks are used to:

(1) Transport water to fill frac tanks on well locations,
(2) Transport contaminated water produced as a by-product of producing wells to disposal wells, including disposal wells that we own and operate, and
(3) Transport drilling and completion fluids to and from well locations; following completion of fracturing operations, the trucks are used to transport the flow-back produced as a result of the fracturing process from the well site to

disposal wells.

Most wells produce residual salt or fresh water in conjunction with the extraction of the oil or natural gas. The Company’s trucks pick up water at the well site and transport it to a disposal well for injection or to other environmentally sound surface recycling facilities. This is regular maintenance work that is performed on a periodic basis depending on the volume of water a well produces.

Typically, the Company and a customer enter into a contract for water hauling services after that customer has completed a competitive bidding process. In these instances, we are our customers' "first call" for services, and work is performed for the customer based on agreed-upon rates and actual work performed. In other certain instances, customers with requirements for minor or incidental water hauling services usually purchase the services on a “call out” basis and charged according to a published schedule of rates. The Company competes for services on both a call out and contractual basis.

Disposal Well Services – The Company owns four disposal wells in Kansas and Oklahoma that allow for the injection of salt water and incidental non-hazardous oil and natural gas wastes. These wells are used exclusively by the Company for its customers.

Our trucks frequently transport fluids to be disposed of into these disposal wells. These wells are located in proximity to our customers' producing wells. Most oil and natural gas wells produce varying amounts of water throughout their productive lives. In the states in which we operate, oil and natural gas wastes and water produced from oil and natural gas wells are required by law to be disposed of in authorized facilities, including permitted water disposal wells. All of the Company's disposal wells are licensed by state authorities pursuant to guidelines and regulations of the Environmental Protection Agency and the Safe Drinking Water Act and are completed in an environmentally sound manner in permeable formations below the fresh water table.

Frac Tank Rental – The Company also generates a small amount of revenues from the rental of frac tanks in the Hugoton field area. As of December 31, 2017, the Company owned approximately 26 frac tanks, which can store up to 500 barrels of water and are used by oilfield operators to store fluids at the well site, including fresh water, salt water, and acid for frac jobs, flowback, temporary production and mud storage. Frac tanks are used during all phases of the life of a producing well. The Company generally rents frac tanks at daily rates and charges hourly rates for the transportation of the tanks to and from the well site.

Construction Services

Construction services consist of excavation, grading and dirt hauling services. These services are primarily provided in Colorado to help increase utilization of the Company's equipment and personnel during the slower non-heating months. This segment also utilizes sub-contractors as needed to supplement Company resources. Construction services accounted for approximately 1% and 11% of the Company's total revenues for fiscal 2017 and 2016, respectively.

Ownership of Company Assets

The Company owns various equipment and other assets to provide its services and products. Substantially all of the equipment and personal property assets owned by these entities are subject to security interests from loans and credit facilities utilized by the Company.

Historically, as supply and demand require, the Company has leased additional trucks and equipment from time to time. These leases are generally for periods of less than one year, and therefore are treated as operating leases for accounting purposes, and the rent expense associated with these leases is reported ratably over the term of the lease.

Competitive Business Conditions

We face intense competition in our operations. Competition is influenced by factors such as price, capacity, the quality/safety-record/availability of equipment and work crews, and the reputation and experience of the service provider. The Company believes that an important competitive factor in establishing and maintaining long-term customer relationships is having an experienced, skilled, and well-trained work force that is responsive to our customers' needs. Although we believe customers consider all of these factors, price is often the primary factor in determining which service provider is awarded work.

The demand for our services fluctuates primarily in relation to the domestic commodity price (or anticipated price) of oil and natural gas which, in turn, is largely driven by the domestic and worldwide supply of, and demand for, oil and natural gas, political events, as well as speculation within the financial markets. Demand and prices are often volatile and difficult to predict and depend on events that are not within our control. Generally, as supply of oil and natural gas decreases and demand increases, service and maintenance requirements increase as oil and natural gas producers drill new wells and attempt to maximize the productivity of their existing wells to take advantage of the higher priced environment. Conversely, as the supply of commodities increase and demand and crude oil and natural gas prices fall, oil and gas producers drill fewer wells and scale back or suspend service and maintenance work.

The Company's competition primarily consists of small and large regional or local contractors. The Company attempts to differentiate itself from its competition in large part through its range and quality of services it has the capability to provide. The Company invests a significant amount of capital into purchasing, developing, and maintaining a fleet of trucks and other equipment that are critical to the services it provides. Further, the Company concentrates on providing services to a diverse group of major and independent oil and natural gas companies in a number of geographical areas. We believe we have been successful using this business model and believe it will enable us to grow our business in the event the oil and gas industry has continuing need for the type of service we provide.

Dependence on One or a Few Major Customers

The Company serves numerous major and independent oil and natural gas companies that are active in our core areas of operations.

As of December 31, 2017, a receivable from one customer comprised more than 10% of the Company's accounts receivable balance; at approximately 11%. Revenues from this customer represented 8% of total revenues for the year ended December 31, 2017.

While the Company believes its equipment could be redeployed in the current market environment if it lost any material customers, such loss could have an adverse effect on the Company's business until the equipment is redeployed. We believe that the market for the Company's services is sufficiently diversified that it is not dependent on any single customer or a few major customers.

Seasonality

A significant portion of the Company's operations is impacted by seasonal factors, particularly with regard to its frac water heating and hot oiling services. In 2017, approximately 69% of revenue was earned during the first and fourth quarters. In regard to frac water heating, because customers rely on Heat Waves to heat large amounts of water for use in fracturing formations, demand for this service is much greater in the colder months. Similarly, hot oiling services are in higher demand during the colder months when they are needed for maintenance of existing wells and to heat oil storage tanks.

Acidizing and pressure testing are performed throughout the year with higher revenues typically during non-winter months.

Water hauling from producing wells is not as seasonal as our other services since wells produce water whenever they are pumping regardless of weather conditions. Hauling of water for the drilling or fracturing of wells is also not seasonal but dependent on when customers decide to drill or complete wells.

Although they are relatively new businesses to us, we believe water transfer services are not seasonal. However, our water transfer services depend upon the level of drilling, well completion, and production activities.

Raw Materials

The Company purchases a wide variety of raw materials, parts, and components that are made by other manufacturers and suppliers for our use. The Company is not dependent on any single source of supply for those parts, supplies or materials. However, there are a limited number of vendors for propane and certain acids and chemicals. The Company utilizes a limited number of suppliers and service providers available to fabricate and/or construct the trucks and equipment used in its hot oiling, frac water heating, and acid related services.

Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements or Labor Contracts

The Company enters into agreements with local property owners where its disposal wells are located by which the Company generally agrees to pay those property owners a fixed amount per month plus a percentage of revenues derived from utilizing those wells. The terms of these agreements are separately negotiated with each property owner, and during its 2017 and 2016 fiscal years the total amount paid under these various agreements by the Company was immaterial to the Company and its business operations.

As is the situation with all companies in the frac water heating service business, we rely on certain procedures and practices in performing our services. In 2016, we were issued our first patent relating to an aspect of the frac water heating process. We have other patent applications pending regarding other procedures used in our process of heating frac water. We are aware that one unrelated company has been awarded four patents related, in part, to a process for heating of frac water. For a further discussion of this, see Item 3 – *Litigation*, below.

Pursuant to a Sales Agreement with HydroFLOW USA ("Sales Agreement"), HWWM had the exclusive right to sell or rent patented hydropath devices in connection with bacteria deactivation and scale treatment services for treating injection and disposal wells, frack water and recycled water in the oil and gas industry to customers in the United States. The hydropath technology is owned by HydroPath Holdings Limited. Pursuant to the Sales Agreement, the Company was required to pay royalties on certain rental transactions and was required to meet certain annual purchase commitments in order to maintain the exclusivity provision under the Sales Agreement. As of December 31, 2017, no royalties had been paid under the Sales agreement. As of January 1, 2018, HWWM terminated its agreement with HydroFLOW USA.

Government Regulation

The Company and its subsidiaries are subject to a variety of government regulations ranging from environmental to OSHA to the Department of Transportation. Our operations are also subject to stringent federal, state and local laws regulating the discharge of materials into the environment or otherwise relating to health and safety or the protection of the environment. These federal, state, and local laws and regulations relating to protection of the environment, wildlife protection, historic preservation, and health and safety are extensive and changing. The recent trend in environmental legislation and regulation is generally toward stricter standards, and we expect that this trend will continue as the governmental agencies issue and amend existing regulations. Failure to comply with these laws and regulations as they currently exist or may be amended in the future may result in the assessment of substantial administrative, civil and criminal penalties, as well as the issuance of injunctions limiting or prohibiting activities. Strict adherence with these regulatory requirements increases our cost of doing business and consequently affects our profitability. The Company does not believe that it is in material violation of any regulations that would have a significant negative impact on the Company's operations.

Through the routine course of providing services, the Company handles and stores bulk quantities of hazardous materials. If leaks or spills of hazardous materials handled, transported or stored by us occur, the Company may be responsible under applicable environmental laws for costs of remediating any damage to the surface or sub-surface (including aquifers).

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as "Superfund," and comparable state statutes impose strict, joint and several liability on owners and operators of sites and on persons who disposed of or arranged for the disposal of "hazardous substances" found at such sites. It is not uncommon for the government to file claims requiring cleanup actions, demands for reimbursement for government-incurred cleanup costs, or natural resource damages, or for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances released into the environment. The Federal Resource Conservation and Recovery Act, or RCRA, and comparable state statutes govern the disposal of "solid waste" and "hazardous waste" and authorize the imposition of substantial fines and penalties for noncompliance, as well as requirements for corrective actions. Although CERCLA currently excludes petroleum from its definition of "hazardous substance," state laws affecting our operations may impose clean-up liability relating to petroleum and petroleum-related products. In addition, although RCRA classifies certain oil field wastes as "non-hazardous," such exploration and production wastes could be reclassified as hazardous wastes thereby making such wastes subject to more stringent handling and disposal requirements. CERCLA, RCRA and comparable state statutes can impose liability for clean-up of sites and disposal of substances found on drilling and production sites long after operations on such sites have been completed. Other statutes relating to the storage and handling of pollutants include the Oil Pollution Act of 1990, or OPA, which requires certain owners and operators of facilities that store or otherwise handle oil to prepare and implement spill response plans relating to the potential discharge of oil into surface waters. The OPA contains numerous requirements relating to prevention of, reporting of, and response to oil spills into waters of the United States. State laws mandate oil cleanup programs with respect to contaminated soil. A failure to comply with OPA's requirements or inadequate cooperation during a spill response action may subject a responsible party to civil or criminal enforcement actions.

In the course of the Company's operations, it does not typically generate materials that are considered "hazardous substances." One exception, however, would be spills that occur prior to well treatment materials being circulated down hole. For example, if the Company spills acid on a roadway as a result of a vehicle accident in the course of providing well enhancement/stimulation services, or if a tank with acid leaks prior to down hole circulation, the spilled material may be considered a "hazardous substance." In this respect, the Company may occasionally be considered to "generate" materials that are regulated as hazardous substances and, as a result, may incur CERCLA liability for cleanup costs. Also, claims may be filed for personal injury and property damage allegedly caused by the release of hazardous substances or other pollutants.

The Clean Water Act (the "CWA"), and comparable state statutes, impose restrictions and controls on the discharge of pollutants, including spills and leaks of oil and other substances, into waters of the United States. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the Environmental Protection Agency (the "EPA") or an analogous state agency. The CWA regulates storm water run-off from oil and natural gas facilities and requires a storm water discharge permit for certain activities. Such a permit requires the regulated facility to monitor and sample storm water run-off from its operations. The CWA and regulations implemented thereunder also prohibit discharges of dredged and fill material in wetlands and other waters of the United States unless authorized by an appropriately issued permit. The CWA and comparable state statutes provide for civil, criminal and administrative penalties for unauthorized discharges of oil and other pollutants and impose liability on parties responsible for those discharges for the costs of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release.

The Safe Drinking Water Act (the “SDWA”), and the Underground Injection Control (“UIC”) program promulgated thereunder, regulate the drilling and operation of subsurface injection wells, such as the disposal wells owned and operated by the Company. The EPA directly administers the UIC program in some states and in others the responsibility for the program has been delegated to the state. The program requires that a permit be obtained before drilling a disposal well. Violation of these regulations and/or contamination of groundwater by oil and natural gas drilling, production, and related operations may result in fines, penalties, and remediation costs, among other sanctions and liabilities under the SWDA and state laws. In addition, third party claims may be filed by landowners and other parties claiming damages for alternative water supplies, property damages, and bodily injury.

Regulations in the states in which the Company owns and operates water injection wells (Kansas and Oklahoma) require us to obtain a permit to operate each of our disposal wells. The applicable regulatory agency may suspend or modify one of our permits if the Company's well operations are likely to result in pollution of freshwater, substantial violation of permit conditions or applicable rules, or if the well leaks into the environment.

The Federal Energy Policy Act of 2005 amended the SDWA to exclude hydraulic fracturing from the definition of "underground injection" under certain circumstances. However, the repeal of this exclusion has been advocated by certain advocacy organizations and others in the public. The EPA at the request of Congress conducted a national study examining the potential impacts of hydraulic fracturing on drinking water resources and issued a final assessment report in December 2016, which concluded that hydraulic fracturing activities can impact drinking water resources under some circumstances and identifies factors that influence these impacts.

We incur, and expect to continue to incur, capital and operating costs to comply with the environmental laws and regulations described herein. The technical requirements of these laws and regulations are becoming increasingly complex, stringent and expensive to implement.

If new federal or state laws or regulations that significantly restrict hydraulic fracturing are adopted, such legal requirements could result in delays, eliminate certain drilling and injection activities, make it more difficult or costly for our customers to perform fracturing and increase their and our costs of compliance and doing business. It is also possible that drilling and injection operations utilizing our services could adversely affect the environment, which could result in a requirement to perform investigations or clean-ups or in the incurrence of other unexpected material costs or liabilities.

Significant studies and research have been devoted to climate change and global warming, and climate change has developed into a major political issue in the United States and globally. Certain research suggests that greenhouse gas emissions contribute to climate change and pose a threat to the environment. Recent scientific research and political debate has focused in part on carbon dioxide and methane incidental to oil and natural gas exploration and production. Many state governments have enacted legislation directed at controlling greenhouse gas emissions, and future state and federal legislation and regulation could impose additional restrictions or requirements in connection with our operations and favor use of alternative energy sources, which could increase operating costs and decrease demand for oil products. As such, our business could be materially adversely affected by domestic and international legislation targeted at controlling climate change.

We are also subject to a number of federal and state laws and regulations, including the federal Occupational Safety and Health Act, or OSHA, and comparable state laws, whose purpose is to protect the health and safety of workers. In addition, the OSHA hazard communication standard, the EPA community right-to-know regulations under Title III of the federal Superfund Amendment and Reauthorization Act and comparable state statutes require that information be maintained concerning hazardous materials used or produced in our operations and that this information be provided to employees, state and local government authorities and citizens.

Because our trucks travel over public highways to get to customers' wells, the Company is subject to the regulations of the Department of Transportation. These regulations are very comprehensive and cover a wide variety of subjects from the maintenance and operation of vehicles to driver qualifications to safety. Violations of these regulations can result in penalties ranging from monetary fines to a restriction on the use of the vehicles. Under regulations effective July 1, 2010, an uncured violation of regulations could result in a shutdown of all of the vehicles of Heat Waves, Dillco or HWWM. The Company does not believe it is in violation of Department of Transportation regulations at this time that would result in a shutdown of vehicles.

Some states and certain municipalities have regulated, or are considering regulating hydraulic fracturing (“fracking”) which, if accomplished, could impact certain of our operations. While the Company does not believe that existing regulations and contemplated actions to limit or prohibit fracking have impacted its activities to date, there can be no assurance that these actions, if taken on a wider scale, may not adversely impact the Company’s business operations and revenues.

Employees

As of February 28, 2018, the Company employed 249 full time employees. Of these employees, 170 are employed by Heat Waves, 37 by Dillco, 27 by HWWM, and 15 are employed by Enservco. From time to time, the Company may hire contractors to perform work.

Available Information

We maintain a website at *http://www.enservco.com*. The information contained on, or accessible through, our website is not part of this Annual Report on Form 10-K. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Exchange Act, are available on our website, free of charge, as soon as reasonably practicable after we electronically file such reports with, or furnish those reports to, the SEC.

In addition, we maintain our corporate governance documents on our website, including our:

- Code of Business Conduct and Ethics for Directors, Officers and Employees which contains information regarding our whistleblower procedures,
- Insider Trading Policy,
- Audit Committee Charter,
- Compensation Committee Charter,
- Trading Blackout Policy, and
- Related Party Transaction Policy.

ITEM 1A. RISK FACTORS

The Company's securities are highly speculative and involve a high degree of risk, including among other items the risk factors described below. The below risk factors are intended to generally describe certain risks that could materially affect the Company and its current business operations and activities.

You should carefully consider the risks described below and elsewhere herein in connection with any decision whether to acquire, hold or sell the Company's securities. The following list identifies and briefly summarizes certain risk but should not be viewed as complete or comprehensive. If any of the contingencies discussed in the following paragraphs or other materially adverse events actually occur, the business, financial condition and results of operations could be materially and adversely affected. In such case, the trading price of our common stock could decline, and you could lose all or a significant part of your investment.

Operations Related Risks

Our business is materially impacted by seasonal weather conditions.

Our businesses, particularly our frac heating and hot oil services, are impacted by weather conditions and temperatures. Unseasonably warm weather during winter months reduces demand for the heating services and results in higher operating costs, as a percentage of revenue, due to the need to retain equipment operators during these low demand periods. The Company has experienced unseasonably warm weather during parts of its heating season during the years ended December 31, 2017 and 2016, which has impacted well enhancement service revenues and profits. Management makes concerted efforts to reduce costs during these low demand periods by utilizing operators in other business segments, reducing hours, and some instances utilizing seasonal layoffs.

Further, during the winter months, our customers may delay operations or we may not be able to operate or move our equipment between locations during periods of heavy snow, ice or rain, and during the spring some areas impose transportation restrictions due to the muddy conditions caused by the spring thaws.

We may be unable to implement price increases or maintain existing prices on our core services.

We periodically seek to increase the prices of our services to offset rising costs and to generate increased revenues. We operate in a very competitive industry and, as a result, we are not always successful in raising or maintaining our existing prices. Additionally, during periods of increased market demand, a significant amount of new equipment may enter the market, which would also put pressure on the pricing of our services. Even when we are able to increase our prices, we may not be able to do so at a rate that is sufficient to offset rising costs. Also, we may not be able to successfully increase prices without adversely affecting our activity levels. The inability to maintain our prices or to increase the prices of our services to offset rising costs increase could have a material adverse effect on our business, financial position and results of operations.

We participate in a capital-intensive industry. We may not be able to finance future growth of our operations or future acquisitions.

Our business activities require substantial capital expenditures. If our cash flow from operating activities and borrowings under our existing credit facility were not sufficient to fund our capital expenditure budget, we would be required to reduce these expenditures or to fund these expenditures through new debt or equity issuances.

Our ability to raise new debt or equity capital or to refinance or restructure our debt at any given time depends, among other things, on the condition of the capital markets and our financial condition at such time. Also, the terms of existing or future debt or equity instruments could further restrict our business operations. The inability to finance future growth could materially and adversely affect our business, financial condition and results of operations.

Increased labor costs or the unavailability of skilled workers could hurt our operations.

Companies in our industry, including us, are dependent upon the available labor pool of skilled workers. We compete with other oilfield services businesses and other employers to attract and retain qualified personnel with the technical skills and experience required to provide our customers with the highest quality service. We are also subject to the Fair Labor Standards Act, which governs such matters as minimum wage, overtime and other working conditions, and which can increase our labor costs or subject us to liabilities to our employees. A shortage in the labor pool of skilled workers or other general inflationary pressures or changes in applicable laws and regulations could make it more difficult for us to attract and retain personnel and could require us to enhance our wage and benefits packages. Labor costs may increase in the future or we may not be able to reduce wages when demand and pricing falls, and such changes could have a material adverse effect on our business, financial condition and results of operations.

Historically, we have experienced a high employee turnover rate. Any difficulty we experience replacing or adding workers could adversely affect our business.

We believe that the high turnover rate in our industry is attributable to the nature of oilfield services work, which is physically demanding and performed outdoors, and to the seasonality of certain of our segments. As a result, workers may choose to pursue employment in areas that offer a more desirable work environment at wage rates that are competitive with ours. The potential inability or lack of desire by workers to commute to our facilities and job sites, as well as the competition for workers from competitors or other industries, are factors that could negatively affect our ability to attract and retain skilled workers. We may not be able to recruit, train and retain an adequate number of workers to replace departing workers. The inability to maintain an adequate workforce could have a material adverse effect on our business, financial condition and results of operations.

Our ability to use our net operating loss carry forwards may be subject to limitation and may result in increased future tax liability.

Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, contain rules that limit the ability of a corporation that undergoes an “ownership change” to utilize its net operating loss carry forwards (“NOLs”) and certain built-in losses recognized in years after the ownership change. An “ownership change” is generally defined as any change in ownership of more than 50% of a corporation’s stock over a rolling three-year period by stockholders that own (directly or indirectly) 5% or more of the stock of the corporation, or arising from a new issuance of stock by the corporation. If an ownership change occurs, Section 382 generally imposes an annual limitation on the use of pre-ownership change net operating losses, or NOLs, credits and certain other tax attributes to offset taxable income earned after the ownership change. The annual limitation is equal to the product of the applicable long-term tax-exempt rate and the value of the corporation’s stock immediately before the ownership change. This annual limitation may be adjusted to reflect any unused annual limitation for prior years and certain recognized built-in gains for the year. In addition, Section 383 generally limits the amount of tax liability in any post-ownership change year that can be reduced by pre-ownership change tax credit carryforwards. If we were to experience an "ownership change," this could result in increased U.S. federal income tax liability for us if we generate taxable income after the ownership change. Limitations on the use of NOLs and other tax attributes could also increase our state tax liabilities. The use of our tax attributes will also be limited to the extent that we do not generate positive taxable income in future tax periods. As a result of these limitations, we may be unable to offset future taxable income, if any, with NOLs before such NOLs expire. Accordingly, these limitations may increase our federal and state income tax liabilities.

As of December 31, 2017, we had U.S. federal NOLs of approximately $20.3 million and state NOLs of approximately $24.5 million.

New U.S. tax legislation could adversely affect us and our shareholders.

On December 22, 2017, legislation referred to as the Tax Act was signed into law. The Tax Act is generally effective for taxable years beginning after December 31, 2017. The Tax Act includes significant amendments to the Internal Revenue Code, including amendments that significantly change the taxation of business entities, including the deductibility of interest. Some of the amendments could adversely affect our business and financial condition, including by limiting our ability to realize tax benefits from our NOLs, however we expect that, ultimately, the reduction of the federal corporate tax rate from 35% to 21% should be beneficial to the Company.

Our business depends on domestic (United States) spending by the crude oil and natural gas industry which has suffered significant negative price volatility since July 2014, and such volatility may continue; our business has been, and may in the future be, adversely affected by industry and financial market conditions that are beyond our control.

We depend on our customers' ability and willingness to make operating and capital expenditures to explore, develop and produce crude oil and natural gas in the United States. Customers' expectations for future crude oil and natural gas prices, as well as the availability of capital for operating and capital expenditures, may cause them to curtail spending, thereby reducing demand for our services and equipment. Major declines in oil and natural gas prices since July 2014 (when prices were at approximately $100 per barrel) have resulted in substantial declines in capital spending and drilling programs across the industry. As a result of the declines in oil and natural gas prices, most exploration and production companies shut down or substantially reduced drilling programs and required service providers to make pricing concessions. Over the two years ended December 31, 2017, the Company offered pricing concessions to a number of customers. Typically, these concessions have been made with the intent to maintain existing service volumes and/or develop additional business.

Industry conditions and specifically the market price for crude oil and natural gas are influenced by numerous domestic and global factors over which the Company has no control, such as the supply of and demand for oil and natural gas, domestic and worldwide economic conditions, weather conditions, political instability in oil and natural gas producing countries, and merger and divestiture activity among oil and natural gas producers. The volatility of the oil and natural gas industry and the consequent impact on commodity prices as well as exploration and production activity could adversely impact the level of drilling and activity by some of our customers. Where declining prices lead to reduced exploration and development activities in the Company's market areas, the reduction in exploration and development activities also may have a negative long-term impact on the Company's business. Continued decline in oil and natural gas prices may result in increased pressure from our customers to make additional pricing concessions in the future and may impact our borrowing arrangements with our principal bank. There can be no assurance that the prices we charge to our customers will return to former levels.

There has also been significant political pressures for the United States economy to reduce its dependence on crude oil and natural gas due to the perceived impacts on climate change. Furthermore, there have been significant political and regulatory efforts to reduce or eliminate hydraulic fracturing operations in certain of the Company's service areas, particularly in Colorado. These activities may make oil and gas investment and production less attractive.

Higher oil and gas prices do not necessarily result in increased drilling activity because our customers' expectation of future prices also drives demand for drilling services. Oil and gas prices, as well as demand for the Company's services, also depend upon other factors that are beyond the Company's control, including the following:

- Supply and demand for crude oil and natural gas;
- political pressures against crude oil and natural gas exploration and production;
- cost of exploring for, producing, and delivering oil and natural gas;
- expectations regarding future energy prices;
- advancements in exploration and development technology;
- adoption or repeal of laws regulating oil and gas production in the U.S.;
- imposition or lifting of economic sanctions against foreign companies;
- weather conditions;
- rate of discovery of new oil and natural gas reserves;
- tax policy regarding the oil and gas industry;
- development and use of alternative energy sources; and
- the ability of oil and gas companies to generate funds or otherwise obtain external capital for projects and production operations.

Ongoing volatility and uncertainty in the domestic and global economic and political environments have caused the oilfield services industry to experience volatility in terms of demand. While our management is generally optimistic for the continuing development of the onshore North American oil and gas industry, there are a number of political and economic pressures negatively impacting the economics of continuing production from some existing wells, future drilling operations, and the willingness of banks and investors to provide capital to participants in the oil and gas industry. These cuts in spending will continue to curtail drilling programs as well as discretionary spending on well services, and will continue to result in a reduction in the demand for the Company's services, the rates we can charge, and equipment utilization. In addition, certain of the Company's customers could become unable to pay their suppliers, including the Company. Any of these conditions or events could adversely affect our operating results.

Our success depends on key members of our management, the loss of any executive or key personnel could disrupt our business operations.

We depend to a large extent on the services of certain of our executive officers. The loss of the services of Ian Dickinson, Austin Peitz, Dustin Bradford or other key personnel, could disrupt our operations. Although we have entered or intend to enter into employment agreements with Messrs. Dickinson, Peitz and Bradford, that contain, among other things non-compete and confidentiality provisions, we may not be able to enforce the non-compete and/or confidentiality provisions in the employment agreements.

We depend on several significant customers, and a loss of one or more significant customers could adversely affect our results of operations.

The Company's top five customers accounted for approximately 43% and 52% of its total annual revenues for 2017 and 2016, respectively. The loss of any one of these customers or a sustained decrease in demand by any of such customers could result in a substantial loss of revenues and could have a material adverse effect on the Company's results of operations.

While the Company believes our equipment could be redeployed in the current market environment if we lost any material customers, such loss could have an adverse effect on the Company's business until the equipment is redeployed. We believe that the market for the Company's services is sufficiently diversified that it is not dependent on any single customer or a few major customers.

Demand for the majority of our services is substantially dependent on the levels of expenditures by the domestic oil and natural gas industry. The Company has no influence over its customers' capital expenditures. On-going economic volatility could have a material adverse effect on our financial condition, results of operations and cash flows.

Beginning in the second half of 2014, oil prices declined substantially from historical highs, causing many of our customers to reduce or delay their oil and natural gas exploration and production spending in 2015 and 2016, which consequently reduced their demand for our services, and exerted downward pressure on the prices we charged for our services and products.

Also, an environment of increasing oil and natural gas prices can lead to increasing costs of exploring for and producing oil and natural gas. Though the addition of frac stimulation into the domestic oil and gas industry has somewhat reduced the overall costs of producing oil and natural gas, the price of drill rigs, pipe, other equipment, fluids, and oil field services and the cost to companies like the Company of providing those services, has generally increased along with increases in oil and natural gas prices. The reduction in cash flows experienced by our customers during periods of lower oil and natural gas prices and the increase of the costs of exploring for and producing oil and natural gas as noted above could have significant adverse effects on the financial condition of some of our customers. This could result in project modifications, delays or cancellations, general business disruptions, and delay in, or nonpayment of, amounts that are owed to the Company, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Environmental compliance costs and liabilities could reduce our earnings and cash available for operations.

We are subject to increasingly stringent laws and regulations relating to environmental protection and the importation and use of hazardous materials, including laws and regulations governing air emissions, water discharges and waste management. Government authorities have the power to enforce compliance with their regulations, and violations are subject to fines, injunctions or both. We incur, and expect to continue to incur, capital and operating costs to comply with environmental laws and regulations. The technical requirements of these laws and regulations are becoming increasingly complex, stringent and expensive to implement. These laws may provide for "strict liability" for damages to natural resources or threats to public health and safety. Strict liability can render a party liable for damages without regard to negligence or fault on the part of the party. Some environmental laws provide for joint and several strict liability for remediation of spills and releases of hazardous substances.

The Company uses hazardous substances and transports hazardous wastes in its operations. Accordingly, we could become subject to potentially material liabilities relating to the investigation and cleanup of contaminated properties, and to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new laws and regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require the Company to incur costs and penalties, or become the basis of new or increased liabilities that could reduce its earnings and cash available for operations. The Company believes it is currently in compliance with environmental laws and regulations.

Intense competition within the well services industry may adversely affect our ability to market our services.

The well services industry is intensely competitive. It includes numerous small companies capable of competing effectively in our markets on a local basis, as well as several large companies that possess substantially greater financial and other resources than the Company. The Company's larger competitors have greater resources that allow those competitors to compete more effectively than the Company. The Company's small competitors may be able to react to market conditions more quickly. The amount of equipment available may exceed demand at some point in time, which could result in active price competition.

The Company could be impacted by unfavorable results of legal proceedings, such as being found to have infringed on intellectual property rights.

As is the situation with other companies in the frac water heating service business, we rely on certain procedures and practices in performing our services. In 2016, we were issued our first patent relating to an aspect of the frac water heating process and in 2017, a second patent was issued. We have other patent applications pending regarding other procedures used in our process of heating frac water. We are aware that one unrelated company (the "Patent Owner") has been awarded four patents related, in part, to a process for heating of frac water. The Patent Owner is currently in litigation with two different groups of energy companies that are seeking to invalidate the first patent. A North Dakota court has issued a summary judgment that the first patent owned by the Patent Owner is invalid. The same Court also found that this first patent is unenforceable due to inequitable conduct by the Patent Owner and/or the inventor. The Patent Owner has filed an appeal with the U.S. Court of Appeals for the Federal Circuit to appeal this judgment and other adverse judgments and orders by the North Dakota court. As of March 15, 2018, the U.S. Court of Appeals for the Federal Circuit has not issued a ruling on this case.

In October 2014, the Company was served with a complaint that alleges that Enservco and Heat Waves, in offering and selling frac water heating services, infringed and induced others to infringe two patents owned by the Patent Owner including the first patent ruled invalid and unenforceable by the North Dakota Court. The complaint seeks various remedies including injunctive relief and unspecified damages and relates to only a portion of Heat Waves' frac water heating services. Heat Waves has answered the complaint, denied the Patent Owner's allegations of infringement and asserted counterclaims asking the Court to find, among other things, that it does not infringe either patent and that both patents are invalid. The Patent Owner has replied to and denied those counterclaims. In July 2015, a Colorado Court granted a joint request by Enservco, Heat Waves and the Patent Owner to stay the case. The lawsuit is now stayed pending the outcome of the appeal by the Patent Owner of the summary judgment invalidating the Patent Owner's first patent as set forth above. (See Item 3 – *Litigation*, for more information about this matter.)

However, if Enservco and/or Heat Waves are found to be infringing, they could be liable for the payment of substantial damages/royalties and attorneys' fees, and/or be subject to a preliminary or permanent injunction prohibiting Heat Waves from heating frac water in a manner it may have been using.

Our operations are subject to inherent risks, some of which are beyond our control. These risks may be self-insured, or may not be fully covered under our insurance policies, but to the extent not covered, are self-insured by the Company.

Our operations are subject to hazards inherent in the oil and natural gas industry, such as, but not limited to, accidents, blowouts, explosions, fires and oil spills. These conditions can cause:

- Personal injury or loss of life,
- Damage to or destruction of property, equipment and the environment, and
- Suspension of operations by our customers.

The occurrence of a significant event or adverse claim in excess of the insurance coverage that we maintain or that is not covered by insurance could have a material adverse effect on our financial condition and results of operations. In addition, claims for loss of oil and natural gas production and damage to formations can occur in the well services industry. Litigation arising from a catastrophic occurrence at a location where our equipment and services are being used may result in us being named as a defendant in lawsuits asserting large claims.

The Company maintains insurance coverage that we believe to be customary in the industry against these hazards. In addition, in June 2015, the Company became self-insured under its Employee Group Medical Plan for the first $50,000 per individual participant. However, we do not have insurance against all foreseeable risks, either because insurance is not available or because of the high premium costs. The occurrence of an event not fully insured against, or the failure of an insurer to meet its insurance obligations, could result in substantial losses. In addition, we may not be able to maintain adequate insurance in the future at reasonable rates. Insurance may not be available to cover any or all of the risks to which we are subject, or, even if available, it may be inadequate, or insurance premiums or other costs could rise significantly in the future so as to make such insurance prohibitively expensive. It is likely that, in our insurance renewals, our premiums and deductibles will be higher, and certain insurance coverage either will be unavailable or considerably more expensive than it has been in the recent past. In addition, our insurance is subject to coverage limits, and some policies exclude coverage for damages resulting from environmental contamination.

While our growth strategy includes seeking acquisitions of other oilfield services companies, we may not be successful in identifying, making and integrating business or asset acquisitions, if any, in the future.

We anticipate that a component of our growth strategy may be to make geographically focused acquisitions of businesses or assets aimed to strengthen our presence and expand services offered in selected regional markets. Pursuit of this strategy may be restricted by the on-going volatility and uncertainty within the credit markets which may significantly limit the availability of funds for such acquisitions. Our ability to use shares of our common stock in an acquisition transaction may be adversely affected by the volatility in the price of our stock.

In addition to restricted funding availability, the success of this strategy will depend on our ability to identify suitable acquisition candidates and to negotiate acceptable financial and other terms. There is no assurance that we will be able to do so. The success of an acquisition also depends on our ability to perform adequate due diligence before the acquisition and on our ability to integrate the acquisition after it is completed. While the Company intends to commit significant resources to ensure that it conducts comprehensive due diligence, there can be no assurance that all potential risks and liabilities will be identified in connection with an acquisition. Similarly, while we expect to commit substantial resources, including management time and effort, to integrating acquired businesses into ours, there is no assurance that we will be successful in integrating these businesses. In particular, it is important that the Company be able to retain both key personnel of the acquired business and its customer base. A loss of either key personnel or customers could negatively impact the future operating results of any acquired business.

In January 2016, HWWM, a wholly owned subsidiary of the Company, acquired various assets including the water transfer assets of HIIT and WET for approximately $4.3 million.

Compliance with climate change legislation or initiatives could negatively impact our business.

The U.S. Congress has considered legislation to mandate reductions of greenhouse gas emissions and certain states have already implemented, or may be in the process of implementing, similar legislation. Additionally, the U.S. Supreme Court has held in its decisions that carbon dioxide can be regulated as an “air pollutant” under the Clean Air Act, which could result in future regulations even if the U.S. Congress does not adopt new legislation regarding emissions. At this time, it is not possible to predict how legislation or new federal or state government mandates regarding the emission of greenhouse gases could impact our business; however, any such future laws or regulations could require us or our customers to devote potentially material amounts of capital or other resources in order to comply with such regulations. These expenditures could have a material adverse impact on our financial condition, results of operations, or cash flows.

Anti-fracking initiatives could adversely impact our business.

Some states and certain municipalities have regulated, or are considering regulating fracking which, if accomplished, could impact certain of our operations. While the Company does not believe that these regulations and contemplated actions to limit or prohibit fracking have impacted its activities to date, there can be no assurance that these actions, if taken on a wider scale, may not adversely impact the Company’s business operations and revenues.

Debt Related Risks

Our indebtedness, which is currently collateralized by substantially all of our assets, could restrict our operations and make us more vulnerable to adverse economic conditions.

As of December 31, 2017, the Company owed approximately $30.0 million to banks, financial institutions, and other parties under various collateralized debt obligations.

Our current and future indebtedness could have important consequences. For example, it could:

- Impair our ability to make investments and obtain additional financing for working capital, capital expenditures, acquisitions or other general corporate purposes,
- Limit our ability to use operating cash flow in other areas of our business because we must dedicate a substantial portion of these funds to make principal and interest payments on our indebtedness,
- Make us more vulnerable to a downturn in our business, our industry or the economy in general as a substantial portion of our operating cash flow will be required to make principal and interest payments on our indebtedness, making it more difficult to react to changes in our business and in industry and market conditions,
- Put us at a competitive disadvantage to competitors that have less debt, or
- Increase our vulnerability to interest rate increases to the extent that we incur additional variable rate indebtedness.

If we are unable to generate sufficient cash flow or are otherwise unable to obtain the funds required to make principal and interest payments on our indebtedness, or if we otherwise fail to comply with the various debt service covenants and/or reporting covenants in the business loan agreements or other instruments governing our current or any future indebtedness, we could be in default under the terms of our credit facilities or such other instruments.

The availability of borrowings under our credit facility is based on a borrowing base which is subject to redetermination by our lender based on a number of factors and the lender’s internal credit criteria. In the event the amount outstanding under our credit facility at any time exceeds the borrowing base at such time, we may be required to repay a portion of our outstanding borrowings on an accelerated basis.

In the event of a default, the holders of our indebtedness could elect to declare all the funds borrowed under those instruments to be due and payable together with accrued and unpaid interest, the lenders under our credit facility could elect to terminate their commitments there-under and we or one or more of our subsidiaries could be forced into bankruptcy or liquidation. Any of the foregoing consequences could restrict our ability to grow our business and cause the value of our common stock to decline.

We may be unable to meet the obligations of various financial covenants that are contained in the terms of our loan agreements with our principal lender, East West Bank.

The Company’s agreements with East West Bank impose various obligations and financial covenants on the Company. The outstanding amount under the Amended Loan and Security Agreement, entered into with East West Bank in

August 2017 and amended in November 2017 is due in August 2020. The revolving credit agreement with East West Bank has a variable interest rate and is collateralized by substantially all of the assets of the Company and its subsidiaries.

Further, the related agreements with East West Bank impose various financial covenants on the Company including maintaining a prescribed fixed charge coverage ratio, a minimum liquidity ratio at certain times, and limit the Company's ability to make capital investments. There can be no assurance that we will be able to comply with these covenants in the future, or that if we violate a covenant East West Bank would be willing to provide a waiver of such covenant. Violation of these covenants could result in the acceleration of maturities under the default provisions of our loan and security agreement. As of December 31, 2017, we were in compliance with all financial covenants.

The variable rate indebtedness with East West Bank subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

The Company’s borrowings through East West Bank bear interest at variable rates, exposing the Company to interest rate risk. As of December 31, 2017, the Company had not yet entered into a hedging arrangement to protect against the interest rate risk associated with the remaining balance of the senior revolving credit facility.

Our debt obligations, which may increase in the future, may reduce our financial and operating flexibility.

As of December 31, 2017, we had borrowed approximately $27.1 million under our senior revolving credit facility and had approximately $2.1 million of borrowing capacity available under this facility. Although the Company plans to utilize cash flow from operations during the first half of 2018 to reduce our outstanding borrowings, we may incur substantial additional indebtedness in the future. If the Company is unable to reduce debt as planned or new debt or other liabilities are added to our current debt levels, the related risks that we now face would increase.

A high level of indebtedness subjects us to a number of adverse risks. In particular, a high level of indebtedness may make it more likely that a reduction in the borrowing base of our credit facility following a periodic redetermination could require us to repay a portion of outstanding borrowings, may impair our ability to obtain additional financing in the future, and increases the risk that we may default on our debt obligations. In addition, we may be required to devote a significant portion of our cash flows to servicing our debt, and we are subject to interest rate risk under our credit facility, which bears interest at variable rates. An increase in our interest rates could have an adverse impact on our financial condition, results of operations and growth prospects.

Our ability to meet our debt obligations and to reduce our level of indebtedness depends on our future performance. General economic conditions, oil and natural gas prices and financial, business and other factors affect our operations and our future performance. Many of these factors are beyond our control. If we do not have sufficient funds on hand to pay our debt when due, we may be required to seek a waiver or amendment from our lenders, refinance our indebtedness, incur additional indebtedness, sell assets or sell additional shares of securities. We may not be able to complete such transactions on terms acceptable to us, or at all. Our failure to generate sufficient funds to pay our debts or to undertake any of these actions successfully could result in a default on our debt obligations, which would materially adversely affect our business, results of operations and financial condition.

<u>Risks Related to Our Common Stock</u>

We have no plans to pay dividends on our common stock for the foreseeable future. Stockholders may not receive funds without selling their shares.

We do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain future earnings, if any, to pay down debt and finance the expansion of our business. Our future dividend policy is within the discretion of our board of directors and will depend upon various factors, including our business, financial condition, results of operations, capital requirements and investment opportunities. In addition, we have agreed with East West Bank, our principal lender that we will not pay any cash dividends on our common stock until our obligations to East West Bank are paid in full. Accordingly, realization of a gain on a shareholder's investment will depend on the appreciation of the price of our common stock.

Our board of directors can, without stockholder approval, cause preferred stock to be issued on terms that adversely affect holders of our common stock.

Under our certificate of incorporation, our board of directors is authorized to issue up to 10,000,000 shares of preferred stock, of which none are issued and outstanding as of the date of this annual report. Also, our board of directors, without stockholder approval, may determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares. If our board of directors causes shares of preferred stock to be issued, the rights of the holders of our common stock would likely be subordinate to those of preferred holders and therefore could be adversely affected. Our board of directors' ability to determine the terms of preferred stock and to cause its issuance, 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. Preferred shares issued by our board of directors could include voting rights or super voting rights, which could shift the ability to control the Company to the holders of the preferred stock. Preferred stock could also have conversion rights into shares of our common stock at a discount to the market price of our common stock, which could negatively affect the market for our common stock. In addition, preferred stock would have preference in the event of liquidation of the corporation, which means that the holders of preferred stock would be entitled to receive the net assets of the corporation distributed in liquidation before the holders of our common stock receive any distribution of the liquidated assets. We have no current plans to issue any shares of preferred stock.

The price of our common stock may be volatile regardless of our operating performance, and you may not be able to resell shares of our common stock at or above the price you paid or at all.

The trading price of our common stock may be volatile, and you may not be able to resell your shares at or above the price at which you paid. Our stock price volatility can be in response to a number of factors, including those listed in this section and elsewhere in this annual report. Many of these volatility factors are beyond our control. Other factors that may affect the market price of our common stock include:

- actual or anticipated fluctuations in our quarterly results of operations;
- liquidity;
- sales of our common stock by our stockholders;
- changes in oil and natural gas prices;
- changes in our cash flow from operations or earnings estimates;
- publication of research reports about us or the oil and natural gas exploration, production and service industry generally;
- competition from other oil and gas service companies and for, among other things, capital and skilled personnel;
- increases in market interest rates which may increase our cost of capital;
- changes in applicable laws or regulations, court rulings, and enforcement and legal actions;
- changes in market valuations of similar companies;
- adverse market reaction to any indebtedness we may incur in the future;
- additions or departures of key management personnel;
- actions by our stockholders;

- commencement of or involvement in litigation;
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes, and other related issues in our industry;
- speculation in the press or investment community regarding our business;
- political conditions in oil and natural gas producing regions;
- general market and economic conditions; and
- domestic and international economic, legal, and regulatory factors unrelated to our performance.

In addition, the U.S. securities markets have experienced significant price and volume fluctuations. These fluctuations often have been unrelated to the operating performance of companies in these markets. Market fluctuations and broad market, economic and industry factors may negatively affect the price of our common stock, regardless of our operating performance. Any volatility or a significant decrease in the market price of our common stock could also negatively affect our ability to make acquisitions using our common stock. Further, if we were to be the object of securities class action litigation as a result of volatility in our common stock price or for other reasons, it could result in substantial costs and diversion of our management's attention and resources, which could negatively affect our financial results.

Our existing shareholders could experience further dilution if we elect to raise equity capital to meet our liquidity needs or finance a strategic transaction.

As part of our strategy we may desire to raise capital and or utilize our common stock to effect strategic business transactions. Either such action will likely require that we issue equity (or debt) securities which would result in dilution to our existing stockholders. Although we will attempt to minimize the dilutive impact of any future capital-raising activities or business transactions, we cannot offer any assurance that we will be able to do so. If we are successful in raising additional working capital, we may have to issue additional shares of our common stock at prices at a discount from the then-current market price of our common stock.

The value of our common stock may decline significantly if we are unable to maintain our NYSE American listing.

Our common stock has recently sold and may continue to sell at a price per share well below $1.00. The NYSE American rules contain requirements with respect to continued listing standards, which include, among other things, when it appears to the Board of Directors of the Exchange that "the extent of public distribution or the aggregate market value of the security has become so reduced as to make further dealings on the Exchange inadvisable" (Rule 1002). Rule 1003 also provides that the Exchange will not normally consider removing shares from listing where, like Enservco at the present time, "the issuer has at least 1,100,000 shares publicly held, a market value of publicly held shares of at least $15,000,000 and 400 round lot shareholders".

We believe we are in compliance with NYSE American listing requirements, but there can be no assurance that we will continue to meet those listing requirements in the future. If we fail to meet the requirements, our common stock may be delisted. If our common stock is delisted, we would be forced to list our common stock on the OTC Markets or some other quotation medium, depending on our ability to meet the specific requirements of those quotation systems. In that case, we may lose some or all of our institutional investors, and selling our common stock on the OTC Markets would be more difficult because smaller quantities of shares would likely be bought and sold and transactions could be delayed. These factors could result in lower prices and larger spreads in the bid and ask prices for shares of our common stock. Further, because of the additional regulatory burdens imposed upon broker-dealers with respect to de-listed companies, delisting could discourage broker-dealers from effecting transactions in our stock, further limiting the liquidity of our shares. These factors could have a material adverse effect on the trading price, liquidity, value and marketability of our stock.

General Corporate Risks

Concentration of ownership makes it unlikely that any stockholder will be able to influence the election of directors or engage in a change of control transaction.

Five stockholders directly and indirectly own approximately 47% of the Company's outstanding common stock and have the ability to heavily influence the election of our directors when they again stand for reelection. Furthermore, it is likely that no person seeking control of the Company through stock ownership will be able to succeed in doing so without negotiating an arrangement to do so with these stockholders. For so long as these stockholders continue to own a significant percentage of the outstanding shares of the Company common stock, they will retain such influence over the election of the board of directors and the negotiation of any change of control transaction.

Provisions in our charter documents could prevent or delay a change in control or a takeover.

Provisions in our bylaws provide certain requirements for the nomination of directors which preclude a stockholder from nominating a candidate to stand for election at any annual meeting. As described in Section 2.12 of the Company's bylaws, nominations must be presented to the Company well in advance of a scheduled annual meeting, and the notification must include specific information as set forth in that section. The Company believes that such a provision provides reasonable notice of the nominees to the board of directors, but it may preclude stockholder nomination at a meeting where the stockholder is not familiar with nomination procedures and, therefore, may prevent or delay a change of control or takeover.

Although the Delaware General Corporation Law includes §112 which provides that bylaws of Delaware corporations may require the corporation to include in its proxy materials one or more nominees submitted by stockholders in addition to individuals nominated by the board of directors, the bylaws of the Company do not so provide. As a result, if any stockholder desires to nominate persons for election to the board of directors, the proponent will have to incur all of the costs normally associated with a proxy contest.

Indemnification of officers and directors may result in unanticipated expenses.

The Delaware General Corporation Law, our Amended and Restated Certificate of Incorporation and bylaws, and indemnification agreements between the Company and certain individuals provide for the indemnification of our directors, officers, employees, and agents, under certain circumstances, against attorney's fees and other expenses incurred by them in any litigation to which they become a party arising from their association with us or activities on our behalf. We also will bear the expenses of such litigation for any of our directors, officers, employees, or agents, upon such person's promise to repay them if it is ultimately determined that any such person shall not have been entitled to indemnification. This indemnification policy could result in substantial expenditures by us that we may be unable to recoup and could direct funds away from our business and products (if any).

We have significant obligations under the 1934 Act and the NYSE American.

Because we are a public company filing reports under the Securities Exchange Act of 1934, we are subject to increased regulatory scrutiny and extensive and complex regulation. The Securities and Exchange Commission has the right to review the accuracy and completeness of our reports, press releases, and other public documents. In addition, we are subject to extensive requirements to institute and maintain financial accounting controls and for the accuracy and completeness of our books and records. In addition to regulation by the SEC, we are subject to the NYSE American rules. The NYSE American rules contain requirements with respect to corporate governance, communications with shareholders, and various other matters.

Our operations are subject to cyber-attacks that could have a material adverse effect on our business, consolidated results of operations and consolidated financial condition.

Our operations are increasingly dependent on digital technologies and services. We use these technologies for internal purposes, including data storage, processing and transmissions, as well as in our interactions with customers and suppliers. Digital technologies are subject to the risk of cyber-attacks. If our systems for protecting against cybersecurity risks prove not to be sufficient, we could be adversely affected by, among other things: loss of or damage to intellectual property, proprietary or confidential information, or customer, supplier, or employee data; interruption of our business operations; and increased costs required to prevent, respond to, or mitigate cybersecurity attacks. These risks could harm our reputation and our relationships with customers, suppliers, employees and other third parties, and may result in claims against us. These risks could have a material adverse effect on our business, consolidated results of operations and consolidated financial condition.

Forward-looking statements may prove to be inaccurate.

In our effort to make the information in this report more meaningful, this report contains both historical and forward-looking statements. All statements other than statements of historical fact are forward-looking statements within the meanings of Section 27A of the Securities Act of 1933 and Section 21E of the 1934 Act. Forward-looking statements in this report are not based on historical facts, but rather reflect the current expectations of our management concerning future results and events. We have attempted to qualify our forward-looking statements with appropriate cautionary language to take advantage of the judicially-created doctrine of “bespeaks caution” and other protections.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance and achievements to be different from any future results, performance and achievements expressed or implied by these statements. These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the forward-looking statements in this annual report. Other unknown or unpredictable factors also could have material adverse effects on our future results.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. DESCRIPTION OF PROPERTIES

The following table sets forth real property owned and leased by the Company and its subsidiaries as of December 31, 2017. Unless otherwise indicated, the properties are used in Heat Waves' operations.

<u>Owned Properties</u>:

Location/Description	**Approximate Size**
Killdeer, ND(1)	
Shop	10,000 sq. ft.
Land – shop	8 acres
Housing	5,000 sq. ft.
Land – housing	2 acres
Tioga, ND(2)	
Shop	4,000 sq. ft.
Land	6 acres
Garden City, KS	
Shop	11,700 sq. ft.
Land – shop	1 acre
Land – acid dock, truck storage, etc.	10 acres
Hugoton, KS (Dillco)	
Shop/Office/Storage	9,367 sq. ft.
Land – shop/office/storage	3.3 acres
Office	1,728 sq. ft.
Land – office	10 acres

(1) Property is collateral for mortgage debt obligation.

(2) Location not currently in operations.

Leased Properties:

Location/Description	Approximate Size	Monthly Rental	Lease Expiration
Platteville, CO			
Shop	3,200 sq. ft.	$3,000	Month-to-month
Land	1.5 acres		
La Salle, CO			
Shop	6,000 sq. ft.	$8,000	January 2021
Land	3.0 acres		
Fort Lupton, CO			
Land	7.0 acres	$4,500	June 2018
Rock Springs, WY			
Shop	10,200 sq. ft.	$6,500	Month-to-month
Land	3 acres		
Carmichaels, PA			
Shop	5,000 sq. ft.	$7,500	April 2022
Land	12.1 acres		
Jourdanton, TX			
Shop	5,850 sq. ft.	$8,150	June 2020
Land	2.3 acres		
Bryan, TX			
Shop	6,000 sq. ft.	$5,345	August 2022
Land	1.6 acres		
Okarche, OK			
Shop	5,000 sq. ft.	$6,000	October 2020
Land	2 acres		
Denver, CO (3)			
Corporate offices	7,352 sq. ft.	$16,848	June 2022

(3) Company is receiving $2,850 monthly under a short-term sublease agreement for a portion of this leased property.
Note - All leases have renewal clauses

ITEM 3. LEGAL PROCEEDINGS

Enservco Corporation ("Enservco") and its subsidiary Heat Waves Hot Oil Service LLC (“Heat Waves”) are defendants in a civil lawsuit in federal court in Colorado, Civil Action No. 1:15-cv-00983-RBJ (“Colorado Case”), that alleges that Enservco and Heat Waves, in offering and selling frac water heating services, infringed and induced others to infringe two patents owned by Heat-On-The-Fly, LLC (“HOTF”). The complaint relates to only a portion of the frac water heating services provided by Heat Waves. The Colorado Case is now stayed pending resolution of an appeal by HOTF of a North Dakota court’s ruling that the primary patent (“the ‘993 Patent”) in the Colorado Case was invalid. Neither Enservco nor Heat Waves is a party to the North Dakota Case, which involves other energy companies.

The ‘993 Patent has undergone several reexaminations by the USPTO and in February 2015, the USPTO rejected all 99 claims of the ‘993 Patent in the latest reexamination. However, in May 2016, the USPTO reversed its decision and confirmed all 99 claims as being patentable over the cited prior art in the reexamination proceeding. Further, in September 2016 and February 2017, HOTF was issued two additional patents, both of which could be asserted against Enservco and/or Heat Waves. Management believes that final findings of invalidity and/or unenforceability of the ‘993 Patent based on inequitable conduct could serve as a basis to affect the validity and/or enforceability of each of HOTF’s patents. If these Patents are ultimately held to be invalid and/or enforceable, the Colorado Case would become moot.

As noted above, the Colorado Case has been stayed. However, in the event that HOTF’s appeal is successful and the ‘993 Patent is found to be valid and/or enforceable in the North Dakota Case, the Colorado Case may resume. To the extent that Enservco and Heat Waves are unsuccessful in their defense of the Colorado Case, they could be liable for enhanced damages and attorneys’ fees (both of which may be significant) and Heat Waves could possibly be enjoined from using any technology that is determined to be infringing. Either result could negatively impact Heat Waves’ business and operations. At this time, the Company is unable to predict the outcome of this case, and accordingly has not recorded an accrual for any potential loss.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is traded on the NYSE American under the symbol "ENSV". The table below sets forth the high and low daily closing sales prices of the Company's Common Stock during the periods indicated as reported by the New York Stock Exchange for each of the quarters in the years ended December 31, 2017 and 2016, respectively:

	2017 Price Range		**2016 Price Range**	
	High	**Low**	**High**	**Low**
First Quarter	$0.62	$0.26	$0.70	$0.35
Second Quarter	0.47	0.21	0.83	0.53
Third Quarter	0.61	0.28	0.72	0.53
Fourth Quarter	0.77	0.43	0.74	0.41

The closing sales price of the Company's common stock as reported on March 15, 2018, was $0.95 per share.

Holders

As of March 15, 2018, there were approximately 450 holders of record of Company common stock. This does not include an indeterminate number of persons who hold our Common Stock in brokerage accounts and otherwise in "street name".

Dividends

Holders of common stock are entitled to receive such dividends as may be declared by the Company's Board of Directors. The Company did not declare or pay dividends during its fiscal years ended December 31, 2017 or 2016, and has no plans at present to declare or pay any dividends.

Decisions concerning dividend payments in the future will depend on income and cash requirements. However, in its agreements with East West Bank, our principal lender, the Company represented that it would not pay any cash dividends on its common stock until its obligations to East West Bank are satisfied. Furthermore, to the extent the Company has any earnings, it will likely retain earnings to pay down debt, or expand corporate operations and not use such earnings to pay dividends.

Securities Authorized for Issuance Under Equity Compensation Plans

The following is provided with respect to compensation plans (including individual compensation arrangements) under which equity securities are authorized for issuance as of December 31, 2017:

Equity Compensation Plan Information

Plan Category and Description	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)		Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)	
Equity Compensation Plans Approved by Security Holders	4,814,433	(1)	$ 0.71	7,045,111	(3)
Equity Compensation Plans Not Approved by Security Holders	1,642,902	(2)	0.32	-	
Total	6,457,335		$ 0.61	7,045,111	

(1) Represents (i) 3,346,600 unexercised options outstanding under the Company's 2016 Stock Incentive Plan, and (ii) 1,467,833 unexercised options under the Company's frozen 2010 Stock Incentive Plan (see below for further information).

(2) Consists of: (i) warrants issued in June 2016 to the principals of the Company's existing investor relations firm to acquire 30,000 shares of Company common stock exercisable at $0.70 per share and (ii) warrants issued in June 2017 in connection with a subordinated debt agreement with Cross River Partners, L.P., our largest stockholder.

(3) Calculated as 10,391,711 shares of common stock reserved for the 2016 Stock Incentive Plan less 3,346,600 options outstanding under the 2016 Plan. No additional stock option grants will be granted under the 2010 Plan as summarized below.

Description of the 2010 Stock Incentive Plan:

On July 27, 2010, the Company's Board of Directors adopted the 2010 Stock Incentive Plan (the "2010 Plan"). The 2010 Plan permitted the granting of equity-based awards to our directors, officers, employees, consultants, independent contractors and affiliates. The 2010 Plan was approved by the Company's stockholders in October 2010 and permitted the issuance of options that qualify as Incentive Stock Options pursuant to Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

As discussed below, the 2010 Plan has been replaced by a new stock option plan and no additional stock option grants will be granted under the 2010 Plan. However, as of December 31, 2017, there were options to purchase 1,467,833 shares which remain outstanding under the 2010 Plan that were awarded prior to the adoption of the 2016 Plan described below.

Description of the 2016 Stock Incentive Plan:

On July 18, 2016, the Board of Directors unanimously approved the adoption of the Enservco Corporation 2016 Stock Incentive Plan (the "2016 Plan"), which was approved by the stockholders on September 29, 2016. The 2016 Plan is administered by our Board of Directors, which may in turn delegate authority to administer the 2016 Plan to a committee. Our plan administrator may make grants of cash and equity awards under the 2016 Plan to facilitate compliance with Section 162(m) of the Code. Subject to the terms of the 2016 Plan, the plan administrator may determine the recipients, numbers and types of awards to be granted, and the terms and conditions of the awards, including the period of their exercisability and vesting. On November 29, 2017, the Board of Directors established a compensation committee that will administer the 2016 Plan.

The aggregate number of shares of our common stock reserved for issuance under the 2016 Plan will not exceed 10,391,711 shares over the next ten years (the stated life of the 2016 plan). As of December 31, 2017, there were options to purchase 3,346,600 shares outstanding under the 2016 Plan.

The 2016 Plan permits the granting of:

- Stock options (including both incentive and non-qualified stock options);
- Stock appreciation rights ("SARs");
- Restricted stock and restricted stock units;
- Performance awards of cash, stock, other securities or property;
- Other stock grants; and
- Other stock-based awards.

Unless sooner discontinued or terminated by the Board, the 2016 Plan will expire on September 29, 2026. No awards may be made after that date. However, unless otherwise expressly provided in an applicable award agreement, any award granted under the 2016 Plan prior to expiration extends beyond the expiration of the 2016 Plan through the award's normal expiration date.

Without the approval of the Company's stockholders, the Committee will not re-price, adjust or amend the exercise price of any options or the grant price of any SAR previously awarded, whether through amendment, cancellation and replacement grant or any other means, except in connection with a stock dividend or other distribution, including a stock split, merger or other similar corporate transaction or event, in order to prevent dilution or enlargement of the benefits, or potential benefits intended to be provided under the 2016 Plan.

Other Stock Compensation Arrangements:

In November 2012, the Company granted each of the principals of its existing investor relations firm a warrant to purchase 112,500 shares of the Company's common stock (a total of 225,000 shares) for the firm's part in creating awareness for the Company's private equity placement, in November 2012, as discussed herein. The warrants were exercisable at $0.55 per share for a five-year term. Each of the warrants may be exercised on a cashless basis. The warrants also provide that subject to various conditions, the holders have piggy-back registration rights with respect to the shares of common stock that may be acquired upon the exercise of the warrants. None of these warrants remain outstanding at December 31, 2017.

In June 2017, in connection with a subordinated loan agreement, the Company granted Cross River Partners, L.P. two five-year warrants to buy an aggregate total of 1,612,902 shares of the Company's common stock at an exercise price of $0.31 per share, the average closing price of the Company's common stock for the 20-day period ended May 11, 2017. The warrants had a grant-date fair value of $0.19 per share and vested in full on June 28, 2017. These warrants are accounted for as a liability in the balance sheet included in our financial statements included in Part III of this Annual Report on Form 10-K. As of December 31, 2017, all of these warrants remain outstanding.

<u>Recent Sales of Unregistered Securities</u>

On November 30, 2017, a principal of the Company's investor relations firm exercised common stock warrants to purchase 112,500 shares of Common Stock, $0.005 par value, of the Company. The warrants were granted pursuant to an investor relations services agreement between the Company and that firm as partial compensation for that firm's part in creating awareness for the Company's private equity placement in November 2012. The warrants were exercisable at $0.55 per share for a five-year term ending on November 30, 2017. Pursuant to the terms of the warrant agreement, the warrants were exercised on a cashless basis and resulted in the issuance of 26,729 shares of common stock to the holder, and no cash proceeds to the Company. There were no underwriters involved in any of the exercise transactions, and the Company paid no commissions or other remuneration as a result of the exercise of the warrants. The holder of the warrant to whom the shares were issued is an existing security holder of the Company and represented to the Company that he is an accredited investor; therefore, the shares were issued in reliance upon the exemptions from registration provided in Section 3(a)(9), and Sections 4(a)(2) and (5) of the Securities Act, as amended, and the rules promulgated thereunder. The transaction was made without any form of advertising or general solicitation, and the holder of the warrant represented to the Company that he intended to acquire the shares for investment purposes only and without a view toward further distribution.

ITEM 6. SELECTED FINANCIAL DATA

We are a smaller reporting company as defined in Rule 12b-2 of the Exchange Act and are not required to provide the information under this Item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion provides information regarding our results of operations for the years ended December 31, 2017 and 2016, and our financial condition, liquidity and capital resources as of December 31, 2017 and 2016.

The following discussion and analysis should be read in conjunction with our historical consolidated financial statements and the accompanying notes included elsewhere in this Annual Report on Form 10-K, which contain further detailed information, as well as the Risk Factors and the *Cautionary Note Regarding Forward-Looking Statements included above*.

OVERVIEW

The Company, through its subsidiaries, provides the following oil field services to the domestic onshore oil and natural gas industry – (i) frac water heating, hot oiling, pressure testing, and acidizing (well enhancement services); (ii) water transfer and bacteria and scale treatment services (water transfer services); (iii) freshwater and saltwater hauling, fluid disposal, frac tank rental (water hauling services); and, (iv) well site construction and other general oil field services (construction services). The Company owns and operates through its subsidiaries a fleet of more than 630 specialized trucks, trailers, frac tanks and other well-site related equipment and serves customers in several major domestic oil and gas areas including the DJ Basin/Niobrara area in Colorado, the Bakken area in North Dakota, the San Juan Basin in northwestern New Mexico, the Marcellus and Utica Shale areas in Pennsylvania and Ohio, the Jonah area, Green River and Powder River Basins in Wyoming, the Eagle Ford Shale and Austin Chalk in Texas and the Mississippi Lime and Hugoton areas in Kansas and Oklahoma.

RESULTS OF OPERATIONS

Executive Summary

Several positive developments occurred in 2017. Overall demand for our services increased due to improved industry conditions and cooler temperatures in several of our heating markets compared to 2016. In addition, we added three major customers that expanded our frac water heating business that helped to offset warm weather in the Marcellus/Utica shale market during the winter of 2016-2017. Also, we continued to grow and expand our water transfer business. We acquired these assets in January 2016 and due to the low crude oil prices in 2016, we were not able to generate any water transfer business until late in the fourth quarter of 2016.

Revenues for 2017 increased $16.1 million, or 66%, over 2016, due to a 94% increase in our core well enhancement revenue. Higher frac water heating revenues in our Rocky Mountain region, improved demand for hot oil services in the Bakken, and continued expansion of hot oiling and acidizing services in the Eagle Ford all contributed to the increase in well enhancement revenues. Water transfer revenues were approximately $1.9 million higher than last year due to continued expansion of services.

Segment profits (losses) for 2017 improved by approximately $7.4 million, to profit of approximately $7.1 million from a loss of approximately $213,000 in 2016 due to improved results from our well enhancement services and the results from our water transfer segment. General & administrative expenses, excluding severance and transition costs, increased by approximately $679,000 for the year ended December 31, 2017, compared to 2016, due primarily to an increase in personnel costs at the corporate level. Severance and transition costs related to the resignation of the Company's former President and Chief Executive Officer and Chief Financial Officer of approximately $784,000 were incurred during 2017. Interest expense for 2017 increased approximately $495,000 from 2016 primarily due to $327,000 of accelerated amortization of debt issuance costs related to reduction in term and extinguishment of the credit facility provided by PNC, and due to an increase in borrowing costs due to the higher weighted-average interest rate paid on borrowings with PNC and other lenders, partially offset by savings related to the lower interest rate on our new credit facility provided by East West Bank, which we closed on August 10, 2017.

For the year ended December 31, 2017, the Company recognized a net loss of approximately $6.9 million or ($0.13) per share compared to a net loss of $8.6 million or ($0.22) per share last year primarily due to the aforementioned increase in higher margin well enhancement revenues.

Adjusted EBITDA for the year ended December 31, 2017 was approximately $3.4 million compared to a negative EBITDA of approximately $3.3 million in 2016.

Industry Overview

During 2017, improved commodity prices and an increase in active rigs in North America resulted in an increase in production and completion activities by our customers, which led to an increase in demand for our services. While demand and pricing for the services we provide remain below levels we experienced before the industry downturn that began in the last half of 2014, we believe current activity levels will support continued modest improvement in both metrics. The Company has reacted to increases in demand by allocating resources to our most active customers and basins, as we focus on increasing utilization levels and optimizing the deployment of our equipment and workforce, and maintaining a high service quality and safety record. The recent market recovery has also allowed us to compete on the basis of the quality and breadth of our service offerings, as our customers focus on optimization in production.

Crude prices and the North American rig count have increased since the low points in February 2016 and May 2016, respectively. The United States rig count bottomed out at approximately 400 in the spring of 2016 and increased to approximately 930 as of December 31, 2017, which translated into increased activity for the year ended December 31, 2017, compared to 2016.

Segment Overview

Enservco's reportable business segments are Well Enhancement Services, Water Transfer Services, Water Hauling Services, and Construction Services. These segments have been selected based on changes in management's resource allocation and performance assessment in making decisions regarding the Company.

The following is a description of the segments:

Well Enhancement Services: This segment utilizes a fleet of frac water heating units, hot oil trucks and acidizing units to provide well enhancement and completion services to the domestic oil and gas industry. These services include frac water heating, hot oil services, pressure testing, and acidizing services.

Water Transfer Services: This segment utilizes high and low volume pumps, lay flat hose, aluminum pipe and manifolds and related equipment to move fresh and/or recycled water from a water source such as a pond, lake, river, stream, or water storage facility to frac tanks at drilling locations to be used in connection with well completion activities. Also included in this segment are water treatment services whereby to remove bacteria and scale from water, the Company used patented hydropath technology under an agreement with HydroFLOW USA.

Water Hauling Services: This segment utilizes a fleet of trucks and related assets, including specialized tank trucks, vacuum trailers, storage tanks, and disposal facilities to provide various water hauling services. These services are primarily provided by Dillco in the Hugoton area in Kansas and Oklahoma.

Construction Services: This segment utilizes a fleet of trucks and equipment to provide supplementary construction and roustabout services to the oil and gas and construction industry. In 2016, the Company used this fleet of equipment to provide dirt hauling services to a general construction contractor in Colorado but due to low margins in this segment did not generate meaningful revenue in 2017.

***Segment Results*:**

The following tables set forth revenue from operations and segment profits for the Company's business segments for the fiscal years ended December 31, 2017 and 2016 (amounts in thousands):

	For the Year Ended December 31,	
	2017	**2016**
REVENUES:		
Well Enhancement Services	$34,686	$17,864
Water Transfer Services	2,128	184
Water Hauling Services	3,684	3,838
Construction Services	254	2,713
Unallocated & Other	-	9
Total Revenues	$40,752	$24,608

	For the Year Ended December 31,	
	2017	2016
SEGMENT PROFIT (LOSS):		
Well Enhancement Services	$8,784	$2,210
Water Transfer Services	(538)	(1,445)
Water Hauling Services	(295)	41
Construction Services	42	(279)
Unallocated & Other	(845)	(740)
Total Segment Profit (loss)	$7,148	$(213)

Well Enhancement Services:

For 2017, well enhancement service revenue increased $16.8 million, or 94%, to $34.7 million. The increased demand for services is due to improved industry conditions, the addition of three major customers in our frac water heating business, more normal winter temperatures, and an extended heating season in our heating markets all contributed to the increase in revenues over last year.

Frac water heating revenues for the year ended December 31, 2017 increased 175% to $18.4 million compared to $6.7 million in 2016. Improved industry conditions including higher commodity prices and increased drilling rig activity increased demand for our services over 2016. Particularly strong gains are occurring from Marcellus Shale and Utica Shale locations in Pennsylvania as general industry activity has increased in the region due to increased demand. Further, the addition of three additional customers in the Rocky Mountain region also contributed to a substantial increase in frac water heating in this area.

Hot oil revenues for the year ended December 31, 2017 increased 29% to $11.1 million compared to $8.6 million in 2016. Incremental hot oil service revenues from our geographic expansion into the Eagle Ford combined with increased revenues in the DJ Basin and North Dakota due to improved commodity prices were the primary drivers of the increase over last year.

Acidizing revenues for the year ended December 31, 2017 increased 64% to $3.6 million compared to $2.2 million in 2016. The Company's continued efforts to aggressively pursue customers and partner with chemical suppliers to develop new cost-effective acid programs have allowed us to expand our acidizing services into the Eagle Ford Shale formation in Texas.

Segment profits for our core well enhancement services increased $6.6 million or 297% in 2017 compared to 2016. Increased revenues from the aforementioned more normal winter temperatures, the extension of heating season into the second quarter, the rebound of oil prices, and addition of new customers contributed to the improved segment profits. In the near future, the Company plans to continue to re-deploy equipment to more active basins to increase utilization and improve this segment's profits.

Water Transfer Services:

In January 2016, the Company acquired approximately $4.3 million of water transfer and water treatment assets, with the intent of launching a new water transfer service line. Water transfer services involve the use of water pumps, lay flat hose, and aluminum pipe to transport water from a water source to a frac site. This service is complementary to our frac water heating service in that the frac water we heat is provided by water transfer and allows bundling of these services with our frac water heating services.

Also, in connection with the acquisition above, the Company acquired a new water treatment technology utilized in devices sold under the name of HydroFLOW but discontinued the contract with HydroFLOW as of January 1, 2018 due to lack of meaningful sales. HydroFLOW products offer water treatment services based on patented hydropath technology that can remove bacteria and scale from water using electrical induction to reduce or eliminate down-hole scaling and corrosion. We continue to evaluate potential use cases for the technology for customers within and outside of the oil and natural gas industry.

For the year ended December 31, 2017, Water Transfer Services accounted for 5% of total revenue, and increased by $1.9 million, to $2.1 million, due to the incremental revenues from three new customers during 2017. We consider the water transfer services segment to be an opportunity to grow our business with both new and existing customers and believe it offers opportunity to reduce the level of seasonality we have historically experienced. Segment results for the water transfer segment in the years ended December 31, 2017 and 2016 include approximately $283,000 and $325,000 of marketing and trial costs related to the HydroFLOW water treatment services, respectively.

Water Transfer segment losses for the year ended December 31, 2017, were approximately $538,000, compared to losses of $1.4 million in the year ended December 31, 2016. The Company continued to market and conduct proof of concept studies for the new water treatment technology utilized in devices sold under the name of HydroFLOW. As of January 1, 2018, the Company terminated its agreement with HydroFLOW. During the year ended December 31, 2017, the Company recognized revenues of approximately $22,000 related to HydroFLOW products.

Water Hauling Services

Water hauling service revenues, which represent approximately 9% of our 2017 consolidated revenues, declined approximately $154,000, or 4%, in 2017 compared to last year. The decline was primarily attributable to lower water hauling revenues in our Central USA region due to scaled back service work, pricing concessions, the cessation of certain low margin accounts, and reduced service activity in our Central USA region due to heavy rains during February.

Water hauling revenues have continued to decline over the last four years as this segment of the oil and gas industry has become highly competitive, which has resulted in downward pressure on prices. As noted above, the Company has reduced prices to remain competitive but also elected to eliminate certain low margin work.

The Company recorded a segment loss of approximately $295,000 during the year ended December 31, 2017 compared to profit of approximately $41,000 in 2016.

Construction Services:

In May 2016, the Company began to provide dirt excavation and hauling services to general contractors in the construction industry to offset some of the seasonal decline in revenues from our frac heating business and to utilize and retain key frac heating operators over the summer months. The Company used some of its existing construction equipment in both Heat Waves and Dillco to launch this service.

For the year ended December 31, 2017, the Company recognized approximately $254,000 in construction services revenue compared to approximately $2.7 million during 2016, of which $2.5 million related to a specific dirt hauling project in Colorado. Due to the size and deadlines associated with this project, the Company supplemented its existing resources with sub-contractors. Logistical challenges and equipment issues related to the Colorado project, resulted in a segment loss of $279,000 during 2016. The Company has utilized the construction segment to retain employees during slow periods.

Unallocated and Other:

Unallocated and other costs include costs which are not specifically allocated to the business segments above including labor, travel, and operating costs for regional managers.

During 2017, unallocated costs increased 14% to $845,000 compared to $740,000 in 2016.

Geographic Areas:

The Company only does business in the United States, in what it believes are three geographically diverse regions. The following table sets forth revenue from operations for the Company's three geographic regions during the fiscal years ended December 31, 2017 and 2016 (amounts in thousands):

	For the Year Ended December 30,	
	2017	**2016**
BY GEOGRAPHY:		
Rocky Mountain Region (1)	$25,642	$13,674
Central USA Region (2)	13,297	9,631
Eastern USA Region(3)	1,813	1,303
Total Revenues	$40,752	$24,608

Notes to tables:

(1) Includes the D-J Basin/Niobrara field (northeastern Colorado and southeastern Wyoming), the Powder River and Green River Basins (northeastern and southwestern Wyoming), the Bakken area (western North Dakota and eastern Montana). Heat Waves and HWWM operate in this region.

(2) Includes the Eagle Ford Shale and Austin Chalk (southern Texas) and Mississippi Lime and Hugoton Field (southwestern Kansas, north central Oklahoma, and the Texas panhandle). Heat Waves, Dillco, and HWWM operate in this region.

(3) Consists of the southern region of the Marcellus Shale formation (southwestern Pennsylvania and northern West Virginia) and the Utica Shale formation (eastern Ohio). Heat Waves is the only Company subsidiary operating in this region.

Revenues in the Rocky Mountain Region increased $12.0 million or 88% for the year ended December 31, 2017, compared to the prior year due to several factors including (i) increased frac water heating activity in the DJ Basin/Niobrara Shale, Bakken area, and Wyoming basins due to more normal winter temperatures and incremental revenues generated from three new customers, (ii) the ramp up of our water transfer business during 2017, and (iii) increased hot oiling service activity in the Bakken area and DJ Basin.

Revenues in the Central USA region increased $3.7 million or 38% for the year ended December 31, 2017, compared to $9.6 million for the year ended December 31, 2016, primarily due to incremental revenues from our geographic expansion into the Eagle Ford Shale. This increase was offset by a decline in water hauling activity in the Hugoton field area. Scaled back service work due to heavy rains in February, 2017, price concessions and elimination of certain low margin water hauling customers were the primary reasons for a decline in water hauling business in the Hugoton field area.

Revenues in the Eastern USA region increased approximately $510,000 to $1.8 million or 39% for the year ended December 31, 2017, compared to $1.3 million for the year ended December 31, 2016 primarily due to increased frac water heating and hot oil service activity in the Marcellus and Utica shale basin. Unseasonably warm weather significantly reduced demand for heating services in this basin and essentially eliminated most of our frac water heating revenue in the year ended December 31, 2016. However, industry conditions improved in 2017 as production increased commensurate to the increase in infrastructure throughout the region to meet growing demand. During 2016 and certain periods of 2017, the Company redeployed certain frac heating equipment to other regions to increase utilization rates.

Historical Seasonality of Revenues:

Because of the seasonality of our frac water heating and hot oiling business, revenues generated during the first and fourth quarters of our fiscal year, covering the months during what we call our "heating season," are significantly higher than revenues earned during the second and third quarters of the year. In addition, the revenue mix of our service offerings also changes among quarters as our Well Enhancement Services (which includes frac water heating and hot oiling) decrease as a percentage of total revenues and Water Hauling Services (water hauling) and other services increase. Thus, the revenues recognized in our quarterly financials in any given period are not indicative of the annual or quarterly revenues through the remainder of that fiscal year.

As an indication of this quarter-to-quarter seasonality, the Company generated revenues of $28.0 million, or 69%, of its 2017 revenues during the first and fourth quarters of 2017 compared to $12.8 million, or 31%, during the second and third quarters of 2017. In 2016, the Company generated revenues of $15.0 million, or 61%, of its 2016 revenues during the first and fourth quarters of 2016 compared to $9.6 million, or 39%, during the second and third quarters of 2016. While the Company is pursuing various strategies to lessen these quarterly fluctuations by expanding and/or adding non-seasonal service lines, there can be no assurance that we will be successful in doing so.

Direct Operating Expenses:

Direct operating expenses, which include labor costs, propane, fuel, chemicals, truck repairs and maintenance, supplies, insurance, and site overhead costs for our operating segments increased by approximately $8.7 million or 36% during 2017 compared to last year, primarily due to the overall increase in service activity in our well enhancement service segment as well as our new water transfer division.

General and Administrative Expenses:

General and administrative expenses increased approximately $679,000, or 18%, to $4.5 million in 2017 compared to $3.8 million in 2016 primarily due to (i) payment and the accrual of 2017 annual bonuses to company personnel, (ii) an increase in stock compensation expense, including approximately $100,000 in incremental expense due to the accelerated vesting of options granted to our former President and CEO, and (iii) consulting costs and contract labor costs incurred during the executive transition period.

Patent Litigation and Defense Costs:

Patent litigation and defense costs for the year ended December 31, 2017 declined to $129,000 compared to $151,000 for 2016. As discussed in Item 3. – *Litigation*, the U.S. District Court for the District of Colorado issued a decision on July 20, 2015 to stay the Company's case with HOTF pending an appeal of a 2015 judgement by a North Dakota Court invalidating the '993 Patent. As a result of the stay, legal costs have been minimal since July 2015.

Enservco and Heat Waves deny that they are infringing any valid, enforceable claim of the asserted HOTF patents, and intend to continue to vigorously defend themselves in the Colorado Case and challenge the validity and/or enforceability of these patents should the lawsuit resume. The Company expects associated legal fees to be minimal going forward until the Colorado Case is resumed. In the event that HOTF's appeal is successful and the '993 Patent is found to be valid and/or enforceable in the North Dakota Case, the Colorado Case may resume.

Depreciation and Amortization:

Depreciation and amortization expense for the year ended December 31, 2017 decreased approximately $377,000, or 5%, from 2016 primarily due to certain assets of ours becoming fully depreciated in 2017.

Severance and Transition Costs:

During the year ended December 31, 2017, the Company recognized costs of approximately $784,000, related to the departures of the former President and Chief Executive Officer and the Chief Financial Officer. The costs incurred primarily comprise payments to the former executives pursuant to their respective termination agreements and legal and professional costs directly related to the transition to the new management team. In addition, as described above, upon the accelerated vesting of option grants made to our former President and CEO we incurred an incremental $100,000 in stock-based compensation expense.

Income (Loss) from operations:

For the year ended December 31, 2017, the Company recognized a loss from operations of $4.7 million compared to a loss from operations of $11.0 million for 2016. The improvement of $6.3 million was primarily due to a $7.4 million increase in segment profits, partially offset by the increase in General and Administrative Expenses and Severance and Transition Costs discussed above.

Interest Expense:

Interest expense increased approximately $495,000, or 28%, to $2.3 million in 2017 compared to $1.8 million in 2016, due primarily to approximately $327,000 of accelerated amortization expense of debt issuance costs during 2017 related to reduction in term and extinguishment of our PNC credit facility. In addition, higher amendment fees and increases in our effective interest rate due to amendments to our PNC credit facility also contributed to the increase. These increases were partially offset by a $72,000 reduction in interest expense from 2016 related to the fair value adjustments related to our interest rate swap agreement with PNC.

Income Taxes:

Income tax benefit was approximately $561,000 in 2017, compared to a tax benefit of $3.9 million in 2016. Our effective tax benefit rate was approximately 24.3% in 2017 compared to an effective tax benefit rate of 37.0% in 2016. Our effective tax benefit in 2017 and 2016 approximates the federal statutory rates enacted at the time of the reports.

Adjusted EBITDA*:

Management believes that, for the reasons set forth below, Adjusted EBITDA (even though a non-GAAP measure) is a valuable measurement of the Company's liquidity and performance and is consistent with the measurements offered by other companies in the Company's industry.

The following table presents a reconciliation of net income to Adjusted EBITDA for years ended December 31, 2017 and 2016 (amounts in thousands):

	For the Year Ended December 31,	
	2017	**2016**
EBITDA*		
Net Loss	$(6,893)	$(8,551)
Add Back (Deduct)		
Interest Expense	2,261	1,766
Provision for income taxes (benefit) expense	(561)	(3,938)
Depreciation and amortization	6,488	6,865
EBITDA*	1,295	(3,858)
Add Back (Deduct)		
Stock-based compensation	704	662
Severance and transition costs	784	-
Patent litigation and defense expenses	129	151
Loss (Gain) on sale and disposal of equipment	18	(242)
Other expense (income)	463	(44)
Adjusted EBITDA	$3,393	$(3,331)

*Note: See discussion to follow below for use of non-GAAP financial measurements.

Use of Non-GAAP Financial Measures: Non-GAAP results are presented only as a supplement to the financial statements and for use within management's discussion and analysis based on U.S. generally accepted accounting principles (GAAP). The non-GAAP financial information is provided to enhance the reader's understanding of the Company's financial performance, but no non-GAAP measure should be considered in isolation or as a substitute for financial measures calculated in accordance with GAAP. Reconciliations of the most directly comparable GAAP measures to non-GAAP measures are provided herein.

EBITDA is defined as net income (earnings), before interest expense, income taxes, and depreciation and amortization. Adjusted EBITDA excludes stock-based compensation from EBITDA and, when appropriate, other items that management does not utilize in assessing the Company's ongoing operating performance as set forth in the next paragraph. None of these non-GAAP financial measures are recognized terms under GAAP and do not purport to be an alternative to net income as an indicator of operating performance or any other GAAP measure.

All of the items included in the reconciliation from net income to EBITDA and from EBITDA to Adjusted EBITDA are either (i) non-cash items (e.g., depreciation, amortization of purchased intangibles, stock-based compensation, warrants issued, etc.) or (ii) items that management does not consider to be useful in assessing the Company's ongoing operating performance (e.g., income taxes, gain on sale of investments, loss on disposal of assets, patent litigation and defense costs, severance and transition costs, other expense (income), etc.). In the case of the non-cash items, management believes that investors can better assess the company's operating performance if the measures are presented without such items because, unlike cash expenses, these adjustments do not affect the Company's ability to generate free cash flow or invest in its business.

We use, and we believe investors benefit from the presentation of, EBITDA and Adjusted EBITDA in evaluating our operating performance because it provides us and our investors with an additional tool to compare our operating performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect our core operations. We believe that EBITDA is useful to investors and other external users of our financial statements in evaluating our operating performance because EBITDA is widely used by investors to measure a company's operating performance without regard to items such as interest expense, taxes, and depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired. Additionally, our fixed charge coverage ratio covenant associated with our Loan and Security Agreement with East West Bank require the use of Adjusted EBITDA in specific calculations.

Because not all companies use identical calculations, the Company's presentation of non-GAAP financial measures may not be comparable to other similarly titled measures of other companies. However, these measures can still be useful in evaluating the Company's performance against its peer companies because management believes the measures provide users with valuable insight into key components of GAAP financial disclosures.

Changes in Adjusted EBITDA*

Adjusted EBITDA from operations improved $6.7 million to $3.4 million for the year ended December 31, 2017 compared to an adjusted EBITDA of negative $3.3 million for 2016, primarily due to the $7.4 million improvement in segment profit discussed above.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes our statements of cash flows for the years ended December 31, 2017 and 2016 and (combined with the working capital table and discussion below) is important for understanding our liquidity (amounts in thousands):

	Years Ended December 31, 2017	2016
Net cash used in operating activities	$(3,989)	$(1,997)
Net cash used in investing activities	(1,304)	(4,746)
Net cash provided by financing activities	5,063	6,559
Net Decrease in Cash and Cash Equivalents	(230)	(184)
Cash and Cash Equivalents, Beginning of Period	621	805
Cash and Cash Equivalents, End of Period	$391	$621

The following table sets forth a summary of certain aspects of our balance sheets at December 31, 2017 and 2016 (amounts in thousands):

	Years Ended December 31, 2017	2016
Current Assets	$13,653	$7,037
Total Assets	44,250	42,370
Current Liabilities	5,647	4,001
Total Liabilities	36,025	27,955
Working Capital (Current Assets net of Current Liabilities)	8,006	3,036
Stockholders’ equity	8,225	14,415

Overview:

We have relied on cash flow from operations, borrowings under our revolving credit agreements, and equity offerings to satisfy our liquidity needs. Our ability to fund operating cash flow shortfalls, fund capital expenditures, and make acquisitions will depend upon our future operating performance and on the availability of equity and debt financing.

At December 31, 2017, we had approximately $391,000 of cash and cash equivalents and approximately $2.1 million available under our asset based senior revolving credit facility. Our capital requirements over the next 12 months are anticipated to include, but are not limited to, operating expenses, debt servicing, and capital expenditures including maintenance of our existing fleet of assets.

As described in more detail Note 5 to our financial statements included in “Item 8. Financial Statements” of this report, on August 10, 2017, we entered into a Loan and Security Agreement (the “2017 Credit Agreement”) with East West Bank (“East West Bank”) which provides for a three-year $30 million senior secured revolving credit facility (the “New Credit Facility”), that replaced the five-year $30 million senior secured revolving credit Facility (the “Prior Credit Facility”) provided under the Amended and Restated Revolving Credit and Security Agreement (the “2014 Credit Agreement”) with PNC Bank, National Association (“PNC”).

The 2017 Credit Agreement allows us to borrow up to 85% of our eligible receivables and up to 85% of the appraised value of our eligible equipment. We used initial proceeds of approximately $21.8 million to repay all amounts due pursuant to our Amended and Restated Revolving Credit and Security Agreement (the "2014 Credit Agreement") with PNC Bank, National Association ("PNC"), and pay other closing costs and fees. Upon entering into the 2017 Credit Agreement, we had approximately $4.6 million available under the terms of the agreement.

On March 31, 2017, our largest shareholder, Cross River Partners, L.P., posted a letter of credit in the amount of $1.5 million in accordance with the terms of the Tenth Amendment to the 2014 Credit Agreement. The letter of credit was converted into subordinated debt with a maturity date of June 28, 2022 with a stated interest rate of 10% per annum and a five-year warrant to purchase 967,741 shares of our common stock at an exercise price of $0.31 per share. On May 10, 2017, Cross River Partners, L.P. also provided $1.0 million in subordinated debt to us as required under the terms of our Tenth Amendment to the 2014 Credit Agreement. This subordinated debt has a stated annual interest rate of 10% and maturity date of June 28, 2022. In connection with this issuance of subordinated debt, Cross River Partners L.P. was granted a five-year warrant to purchase 645,161 shares of our common stock at an exercise price of $0.31 per share.

As of December 31, 2017, we had an outstanding principal loan balance under the 2017 Credit Agreement of approximately $27.1 million. The interest rate on borrowings under the 2017 Credit Agreement at December 31, 2017 was 5.06% per year for the $24.5 million of outstanding LIBOR Rate borrowings and 6.25% per year for the $2.6 million of outstanding Prime Rate borrowings, for a weighted average interest rate of 5.16%.

The 2017 Credit Agreement has certain customary financial covenants and consisted of the following as of December 31, 2017, as described below:

(i) a minimum fixed charge coverage ratio (as defined, not less than 1.10 to 1.00, measured as of the last day of each fiscal quarter based on trailing twelve-month information);

(ii) In periods when the trailing twelve-month FCCR is less than 1.20 to 1.00, we are required to maintain minimum liquidity of $1,500,000 (including excess availability under the 2017 Credit Agreement and balance sheet cash).

Liquidity:

As of December 31, 2017, our available liquidity was $2.4 million, which was substantially comprised of $2.1 million of availability on the credit facility (subject to a covenant requirement that we maintain $1.5 million of available liquidity) and $391,000 in cash. We utilize the 2017 Credit Facility to fund working capital requirements, and during the year ended December 31, 2017, we received net cash proceeds from our various lines of credit of approximately $4.3 million, and additionally received $1.1 million in non-cash proceeds to fund interest due on the notes.

On August 10, 2017, an initial advance of $21.8 million was made under the New Credit Facility to repay in full all obligations outstanding under the Prior Credit Facility and fees and expenses incurred in connection with the termination of the 2014 Credit Agreement and the origination of the 2017 Credit Agreement. Upon entering the 2017 Credit Agreement and repaying all amounts due pursuant to the 2014 Credit Agreement, we had availability of approximately $4.6 million under the New Credit Facility.

The Company has incurred substantial losses for the years ended December 31, 2017 and 2016 and negative cash from operations in 2017 and 2016 of approximately $4.0 million and $2.0 million, respectively. While we expect that recent positive industry trends and our focus on increasing the utilization of our assets will allow us to improve our GAAP operating income and cash flows from operations, there is no assurance that we will not continue to incur losses from operations.

Working Capital:

As of December 31, 2017, we had positive working capital of approximately $8.0 million compared to positive working capital of $3.0 million as of December 31, 2016. The increase in working capital was primarily attributable to our increased receivables due to increased revenues in the fourth quarter of 2017 compared to the prior year.

Deferred Tax Asset, net:

As of December 31, 2017, the Company had recorded a valuation allowance to reduce its net deferred tax assets to zero.

Cash flow from Operating Activities:

Cash flow used in operating activities for the year ended December 31, 2017 increased approximately $2.0 million to cash used in operating activities of $4.0 million compared to cash used in operating activities of $2.0 million during 2016, primarily due to (i) the decrease in cash flows provided by the monetization of accounts receivable during the year ended December 31, 2017 compared to 2016, (ii) our payment of approximately $612,000 to the provider of our workers' compensation insurance policy in the year ended December 31, 2017, and (iii) severance and transition costs paid during the year ended December 31, 2017.

Cash flow from Investing Activities:

Cash flow used in investing activities for the year ended December 31, 2017 was $1.3 million compared to $4.7 million during 2016. During 2017, the cash used primarily comprised capital expenditures for maintenance of our existing fleet of assets and for assets acquired pursuant to our agreement with HydroFLOW. During 2016, the Company purchased $4.3 million of water transfer assets from WET and HIIT.

Cash flow from Financing Activities:

Cash provided by financing activities for fiscal year ended December 31, 2017 was $5.1 million compared to cash provided by financing activities of $6.5 million for the year ended 2016. During the year ended December 31, 2017, we borrowed a net $4.3 million (excluding non-cash advances for interest payments) under our revolving credit facilities and issued subordinated debt of $1.0 million (excluding non-cash proceeds), to fund working capital requirements and invest in our fleet of assets.

Outlook:

We believe that the current oil and gas environment provides us an opportunity to increase our cash flows through the increased utilization of our asset base, due to industry dynamics and our focus on deploying our assets into areas where our services are in high demand. We have seen an increase in such demand due to the increase and stability in oil and natural gas commodity prices from 2016 lows, and increases in the level of production and development activities across the industry. Our financial results in 2017 reflect our successful operational execution in response to this increased demand, and we are optimistic about the prospects for 2018. Our long-term goals include driving increased utilization of our assets, the optimized deployment of our fleet, and the right-sizing of our balance sheet by paying down debt. We continue to seek opportunities to expand our business operations through organic growth, including increasing the volume and scope of current services offered to our new and existing customers. We may identify additional services to offer to our customer base, and make related investments as capital and market conditions permits. We will continue to explore adding high margin services that, diversify and expand our customer relationships while maintaining an appropriate balance between recurring maintenance work and drilling and completion related services.

Capital Commitments and Obligations:

The Company's capital obligations as of December 31, 2017 consists primarily of scheduled principal payments under certain term loans and operating leases. We repaid all amounts due under the 2014 Credit Agreement using proceeds from the 2017 Credit Agreement. We do not have any scheduled principal payments under the 2017 Credit Agreement until August 10, 2020, however, the Company may need to make future principal payments based upon collateral availability. General terms and conditions for amounts due under these commitments and obligations are summarized in the notes to the financial statements.

Pursuant to a Sales Agreement with HydroFLOW USA, HWWM had the exclusive right to sell or rent patented hydropath devices in connection with bacteria deactivation and scale treatment services for treating injection and disposal wells, fracking water and recycled water in the oil and gas industry to HWWM customers in the United States. Pursuant to the sales agreement, HWWM was required to pay 3.5% royalties of its gross revenues on certain rental transactions and, in order to maintain the exclusivity provision under the agreement, we were required purchase approximately $655,000 of equipment per year commencing in 2016 and ending 2025. In November 2016, we and HydroFLOW USA agreed to allocate $220,000 of the 2016 commitment to 2017, thereby increasing the minimum purchase requirement for 2017 to $875,000. During 2017, we purchased $280,000 of equipment to meet our 2016 purchase commitment for exclusivity. During the years ended December 31, 2017 and 2016, we did not accrue or pay any royalties to HydroFLOW. We have negotiated a release of all 2016 and 2017 purchase commitments, and, as of January 8, 2018, terminated our agreement with HydroFLOW.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our stockholders.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make a variety of estimates and assumptions that affect (i) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and (ii) the reported amounts of revenues and expenses during the reporting periods covered by the financial statements.

Our management routinely makes judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the future resolution of the uncertainties increase, these judgments become even more subjective and complex. Although we believe that our estimates and assumptions are reasonable, actual results may differ significantly from these estimates. Changes in estimates and assumptions based upon actual results may have a material impact on our results of operation and/or financial condition. Our significant accounting policies are disclosed in Note 3 to the Financial Statements included in Item 6 of this Form 10-K.

While all of the significant accounting estimates are important to the Company’s financial statements, the following accounting policies and the estimates derived there from have been identified as being critical.

Accounts Receivable:

Accounts receivable are stated at the amounts billed to customers, net of an allowance for uncollectible accounts. The Company provides an allowance for uncollectable accounts based on a review of outstanding receivables, historical collection information and existing economic conditions. The allowance for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical collection experience related to accounts receivable coupled with a review of the current status of existing receivables. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance.

Long-Lived Assets:

The Company reviews its long-lived assets, including property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company looks primarily to the discounted future cash flows in its assessment of whether or not long-lived assets have been impaired. No impairments were recorded during the years ended December 31, 2017 or 2016.

Income Taxes:

The Company recognizes deferred tax liabilities and assets based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities will be recognized in income in the period that includes the enactment date. Deferred income taxes are classified as a net current or non-current asset or liability based on the classification of the related asset or liability for financial reporting purposes. A deferred tax asset or liability that is not related to an asset or liability for financial reporting is classified according to the expected reversal date. The Company records a valuation allowance to reduce deferred tax assets to an amount that it believes is more likely than not expected to be realized.

The Company accounts for any uncertainty in income taxes by recognizing the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company measures the tax benefits recognized in the financial statements from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, the Company is required to make many subjective assumptions and judgments regarding income tax exposures. Interpretations of and guidance surrounding income tax law and regulations change over time and may result in changes to the Company's subjective assumptions and judgments which can materially affect amounts recognized in the consolidated balance sheets and consolidated statements of income. The result of the reassessment of the Company's tax positions did not have an impact on the consolidated financial statements.

Interest and penalties associated with tax positions are recorded in the period assessed as income tax expense. The Company files income tax returns in the United States and in the states in which it conducts its business operations. The Company's United States federal income tax filings for tax years 2013 through 2017 remain open to examination. In general, the Company's various state tax filings remain open for tax years 2013 to 2017.

Stock-based Compensation:

The Company uses the Black-Scholes pricing model as a method for determining the estimated fair value for stock options awarded to employees, officers, and directors. The expected term of the options is based upon evaluation of historical and expected further exercise behavior. The risk-free interest rate is based upon U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected life of the grant. Volatility is determined upon historical volatility of our stock and adjusted if future volatility is expected to vary from historical experience. The dividend yield is assumed to be none as we have not paid dividends nor do we anticipate paying any dividends in the foreseeable future.

The Company uses a Binomial Lattice ("Lattice") model to determine the fair value of certain warrants. The expected term used was the remaining contractual term. Expected volatility is based upon historical volatility over a term consistent with the remaining term. The risk-free interest rate is derived from the yield on zero-coupon U.S. government securities with a remaining term equal to the contractual term of the warrants. The dividend yield is assumed to be none.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined in Rule 12b-2 of the Exchange Act and are not required to provide the information under this Item.

ITEM 8. FINANCIAL STATEMENTS

ENSERVCO CORPORATION AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors

Enservco Corporation

Denver, Colorado

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of Enservco Corporation (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations, stockholders' equity, and cash flows, for each year in the two year period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each year in the two year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ EKS&H LLLP

March 22, 2018

Denver, Colorado

We have served as the Company's auditor since 2009.

ENSERVCO CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands)

	December 31, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$*391*	$*621*
Accounts receivable, net	*11,761*	*4,814*
Prepaid expenses and other current assets	*868*	*971*
Inventories	*576*	*407*
Income tax receivable, current	*57*	*224*
Total current assets	*13,653*	*7,037*
Property and Equipment, net	*29,417*	*34,618*
Income tax receivable, noncurrent	*57*	*-*
Other Assets	*1,123*	*715*
TOTAL ASSETS	$*44,250*	$*42,370*
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$*5,465*	$*3,683*
Current portion of long-term debt	*182*	*318*
Total current liabilities	*5,647*	*4,001*
Long-Term Liabilities		
Senior revolving credit facility	*27,066*	*23,181*
Subordinated debt	*2,229*	*-*
Long-term debt, less current portion	*252*	*304*
Deferred income taxes, net	*-*	*469*
Warrant liability	*831*	*-*
Total long-term liabilities	*30,378*	*23,954*
Total liabilities	*36,025*	*27,955*
Commitments and Contingencies (Note 11)		
Stockholders' Equity		
Preferred stock. $0.005 par value, 10,000,000 shares authorized, no shares issued or outstanding	*-*	*-*
Common stock. $0.005 par value, 100,000,000 shares authorized, 51,197,989 and 51,171,260 shares issued, respectively; 103,600 shares of treasury stock; and 51,094,389 and 51,067,660	*255*	*255*

shares outstanding, respectively		
Additional paid-in-capital	*19,571*	*18,868*
Accumulated deficit	*(11,601*)	*(4,708*)
Total stockholders’ equity	*8,225*	*14,415*
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$*44,250*	$*42,370*

See accompanying notes to consolidated financial statements.

ENSERVCO CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

(In thousands)

	For the Year Ended December 31, 2017	2016
Revenues		
Well enhancement services	$34,686	$17,864
Water transfer services	2,128	184
Water hauling services	3,684	3,838
Construction services	254	2,713
Other	-	9
Total revenues	40,752	24,608
Expenses		
Well enhancement services	25,902	15,654
Water transfer services	2,666	1,629
Water hauling services	3,979	3,797
Construction services	212	2,992
Functional support	845	749
General and administrative expenses	4,459	3,780
Patent litigation and defense costs	129	151
Severance and transition costs	784	-
Depreciation and amortization	6,488	6,865
Total operating expenses	45,464	35,617
Loss from operations	(4,712)	(11,009)
Other income (expense)		
Interest expense	(2,261)	(1,766)
(Loss) gain on disposal of equipment	(18)	242
Other (expense) income	(463)	44
Total other expense	(2,742)	(1,480)
Loss before tax benefit	(7,454)	(12,489)
Income tax benefit	561	3,938
Net loss	$(6,893)	$(8,551)
Loss per common share – basic and diluted	$(0.13)	$(0.22)

Basic and diluted weighted average number of common shares outstanding	*51,070*	*39,117*

See accompanying notes to consolidated financial statements.

ENSERVCO CORPORATION AND SUBSIDIARIES

Consolidated Statement of Stockholders' Equity

(In thousands)

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Earnings (Deficit)	Total Stockholders' Equity
Balance at January 1, 2016	38,127	$ 191	$ 13,852	$ 3,843	$ 17,886
Stock issued in secondary offering	12,938	64	4,352	-	4,416
Stock issued for services	3	-	2	-	2
Stock-based compensation	-	-	662	-	662
Net loss	-	-	-	(8,551)	(8,551)
Balance at December 31, 2016	51,068	$ 255	$ 18,868	$ (4,708)	$ 14,415
Cashless exercise of warrants, net of issuance costs	26	-	-	-	-
Stock-based compensation, net of issuance costs	-	-	703	-	703
Net loss	-	-	-	(6,893)	(6,893)
Balance at December 31, 2017	51,094	$ 255	$ 19,571	$ (11,601)	$ 8,225

See accompanying notes to consolidated financial statements.

ENSERVCO CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands)

	For the Year Ended December 31, 2017	2016
OPERATING ACTIVITIES		
Net loss	$ *(6,893*)	$ *(8,551*)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	*6,488*	*6,865*
Loss (gain) on disposal of equipment	*18*	*(242*)
Unrealized loss on fair value of warrants	*524*	-
Deferred income taxes	*(331*)	*(3,938*)
Stock-based compensation	*704*	*662*
Stock issued for services	-	*2*
Amortization of debt issuance costs and discount	*484*	*153*
Provision for bad debt expense	*37*	*157*
Changes in operating assets and liabilities		
Accounts receivable	*(7,069*)	*2,066*
Inventories	*(168*)	*(99*)
Prepaid expenses and other current assets	*84*	*261*
Income taxes receivable	*111*	*(1*)
Other assets	*(403*)	*26*
	2,425	*642*

Accounts payable and accrued liabilities						
Net cash used in operating activities		(3,989	)		(1,997	)
INVESTING ACTIVITIES						
Purchases of property and equipment		(1,766	)		(5,165	)
Proceeds from insurance claims		183			280	
Proceeds from disposal of equipment		279			139	
Net cash used in investing activities		(1,304	)		(4,746	)
FINANCING ACTIVITIES						
Gross proceeds from stock issuance		-			5,175	
Stock issuance costs and registration fees		(1	)		(758	)
Net line of credit borrowings		4,312			2,474	
Proceeds from issuance of long-term debt		1,000			-	
Repayment of long-term debt		(189	)		(282	)
Payment of debt issuance costs for credit facilities		(59	)		(50	)
Net cash provided by financing activities		5,063			6,559	
Net decrease in Cash and Cash Equivalents		(230	)		(184	)
Cash and Cash Equivalents, beginning of period		621			805	
Cash and Cash Equivalents, end of period	$	391		$	621	

Supplemental cash flow information:				
Cash paid for interest	$	*674*	$	*67*
Cash paid (refunded) for income taxes	$	*(222*)	$	*14*
Supplemental Disclosure of Non-cash Investing and Financing Activities:				
Non-cash proceeds from subordinated debt borrowings	$	*1,500*	$	-
Non-cash repayment of revolving credit facility	$	*(1,500*)	$	-
Non-cash proceeds from revolving credit facility	$	*1,124*	$	*1,543*

See accompanying notes to consolidated financial statements.

ENSERVCO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note *1* – Basis of Presentation

Enservco Corporation ("Enservco") and its wholly-owned subsidiaries (collectively referred to as the "Company", "we" or "us") provide various services to the domestic onshore oil and natural gas industry. These services include frac water heating, hot oiling and acidizing (well enhancement services); water transfer and water treatment services (Water Transfer Services); water hauling, fluid disposal, frac tank rental (water hauling services); and dirt hauling and other general oilfield services (construction services).

The accompanying consolidated financial statements have been derived from the accounting records of Enservco Corporation, Heat Waves Hot Oil Service LLC ("Heat Waves"), Dillco Fluid Service, Inc. ("Dillco"), Heat Waves Water Management LLC ("HWWM"), Trinidad Housing LLC, HE Services LLC, and Real GC LLC (collectively, the "Company") as of *December 31, 2017* and *2016* and the results of operations for the years then ended.

The below table provides an overview of the Company's current ownership hierarchy:

Name	**State of Formation**	**Ownership**	**Business**
Dillco Fluid Service, Inc.	Kansas	100% by Enservco	Oil and natural gas field fluid logistic services.
Heat Waves Hot Oil Service LLC	Colorado	100% by Enservco	Oil and natural gas well services, including logistics and stimulation.
Heat Waves Water Management LLC	Colorado	100% by Enservco	Water Transfer and Water Treatment Services.
HE Services LLC ("HES")	Nevada	100% by Heat Waves	No active business operations. Owns construction equipment used by Heat Waves.
Real GC, LLC ("Real GC")	Colorado	100% by Heat Waves	No active business operations. Owns real property in Garden City, Kansas that is utilized by Heat Waves.

On *November 24, 2015,* HWWM was organized under Colorado law as a wholly owned subsidiary of Enservco for the purpose of launching a new water management division. Effective *January 1, 2016,* HWWM acquired various water transfer assets from WET Oil Services, LLC ("WET") and HII Technologies, Inc. and its affiliates ("HIIT") for approximately *$4.3* million. As part of the HIIT transaction, HWWM also acquired a license for a new water treatment technology utilized in devices sold under the name of HydroFLOW for the oil and gas industry. HydroFLOW products offer water treatment services based on patented hydropath technology that can remove bacteria and scale from water using electrical induction to reduce or eliminate down-hole scaling and corrosion. HWWM provides water transfer services and water treatment services to the onshore oil and natural gas sector.

The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All significant inter-company balances and transactions have been eliminated in the accompanying consolidated financial statements.

Note *2* – Liquidity and Management's Plans

As described in more detail in Note *5, Revolving Credit Facilities* on *August 10, 2017,* we entered into a Loan and Security Agreement (the *"2017* Credit Agreement") with East West Bank, a California banking corporation ("East West Bank"), which provides for a *three*-year *$30* million senior secured revolving credit facility (the "New Credit Facility"). On *August 10, 2017,* we repaid approximately *$21.5* million due under our prior credit facility with PNC Bank (the "Prior Credit Facility") provided pursuant to the Amended and Restated Revolving Credit and Security Agreement with PNC Bank, N.A. (the *"2014* Credit Agreement") using proceeds from New Credit Facility. Upon entering the *2017* Credit Agreement and repaying all amounts due pursuant to the *2014* Credit Agreement, we had availability of approximately *$4.6* million under the New Credit Facility.

As of *December 31, 2017,* our available liquidity was approximately $*2.4* million, which was substantially comprised of *$2.1* million of availability under the New Credit Facility provided pursuant to the *2017* Credit Agreement and approximately $*391,000* in cash.

As of *September 30, 2017,* we were in violation of a loan covenant under the New Credit Facility that requires our Fixed Charge Coverage Ratio (as defined in the *2017* Credit Agreement) ("FCCR") to be *not* less than *1.10* to *1.00* at the end of each month, with a buildup beginning with *January 1, 2017.* Our FCCR as of *September 30, 2017,* was *0.62,* calculated in accordance with the *2017* Credit Agreement, and constituted an Event of Default, as defined in the *2017* Credit Agreement. On *November 20, 2017,* we entered into the First Amendment to Loan and Security Agreement and Waiver with East West Bank whereby East West Bank agreed to waive the default as well as the requirement for the months ending *October 31, 2017* and *November 30, 2017* for an Amendment and Waiver fee of *$20,000.* As of *December 31, 2017,* we were in compliance with all covenants contained in the *2017* Credit Agreement.

On *March 31, 2017,* the Company entered into the Tenth Amendment to the *2014* Credit Agreement that among other things (i) required the Company to raise *$1.5* million in subordinated debt or post a letter of credit in favor of the bank by *March 31, 2017; (*ii) raise an additional *$1* million of subordinated debt by *May 15, 2017; (*iii) reduced the maturity date of the loan from *September 12, 2019* to *April 30, 2018; (*iv) changed the definition of Adjusted EBITDA to include proceeds from subordinated debt; and (v) change the calculation of fixed charge and leverage ratio from a trailing *four*-quarter basis to a quarterly build from the quarter ended *December 31, 2016.* On *March 31, 2017,* the Company's largest shareholder posted a letter of credit in the amount of *$1.5* million in accordance with the terms of the Tenth Amendment. As a result of moving the maturity date to *April 30, 2018,* the entire loan balance (approximately *$25.7* million as of *March 28, 2017)* was be classified as a current liability beginning in *May 2017.*

As of *December 31, 2016,* the Company's available liquidity was *$5.2* million, which was substantially comprised of *$4.5* million of availability on the Prior Credit Facility and *$621,000* in cash. The Company continues to borrow from the New Credit Facility to fund working capital needs.

During the years ended *December 31, 2017* and *2016,* the Company incurred substantial losses and negative cash from operations of approximately *$4.0* million and *$2.0* million, respectively. The Company's current operating plan indicates that it may continue to incur losses from operations.

Note *3* - Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of *three* months or less to be cash equivalents. The Company continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. Enservco maintains its excess cash in various financial institutions, where deposits *may* exceed federally insured amounts at times.

Accounts Receivable

Accounts receivable are stated at the amounts billed to customers, net of an allowance for uncollectible accounts. The Company provides an allowance for uncollectable accounts based on a review of outstanding receivables, historical collection information and existing economic conditions. The allowance for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical collection experience related to accounts receivable coupled with a review of the current status of existing receivables. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance. As of *December 31, 2017,* and *December 31, 2016,* the Company had an allowance for doubtful accounts of approximately $*70,000* and *$34,000,* respectively. For the years ended *December 31, 2017* and *2016,* the Company recorded bad debt expense (net of recoveries) of approximately $*37,000* and *$157,000,* respectively.

Concentrations

As of *December 31, 2017, one* customer comprised more than *10%* of the Company's accounts receivable balance; at approximately *11%.* Revenues from this customer represented approximately *8%* of total revenues for the year ended *December 31, 2017.* In addition, there was *one* other customer which represented more than *10%* of total revenue for the year at approximately *13%* for the year ended *December 31, 2017.* As of *December 31, 2016, three* customers each comprised more than *10%* of the Company's accounts receivable balance; at approximately *14%, 14%* and *11%,* respectively. Revenues from these *three* customers represented *14%, 11%* and *12%* of total revenues, respectively, for the year ended *December 31, 2016.*

Inventories

Inventory consists primarily of propane, diesel fuel and chemicals that are used in the servicing of oil wells and is carried at the lower of cost or net realizable value in accordance with the *first* in, *first* out method (FIFO). The company periodically reviews the value of items in inventory and provides write-downs or write-offs, of inventory based on its assessment of market conditions. Write-downs and write-offs are charged to cost of goods sold. During the years ended *December 31, 2017* and *2016,* the Company did *not* recognize any write-downs or write-offs of inventory.

Property and Equipment

Property and equipment consists of (*1*) trucks, trailers and pickups; (*2*) water transfer pumps, pipe, lay flat hose, trailers, and other support equipment; (*3*) real property which includes land and buildings used for office and shop facilities and wells used for the disposal of water; and (*4*) other equipment such as tools used for maintaining and repairing vehicles, office furniture and fixtures, and computer equipment. Property and equipment is stated at cost less accumulated depreciation. The Company capitalizes interest on certain qualifying assets that are undergoing activities to prepare them for their intended use. Interest costs incurred during the fabrication period are capitalized and amortized over the life of the assets. The Company charges repairs and maintenance against income when incurred and capitalizes renewals and betterments, which extend the remaining useful life, expand the capacity or efficiency of the assets. Depreciation is recorded on a straight-line basis over estimated useful lives of *5* to *30* years.

Any difference between net book value of the property and equipment and the proceeds of an assets' sale or settlement of an insurance claim is recorded as a gain or loss in the Company's earnings.

Leases

The Company conducts a major part of its operations from leased facilities. Each of these leases is accounted for as operating leases. Normally, the Company records rental expense on its operating leases over the lease term as it becomes payable. If rental payments are *not* made on a straight-line basis, per terms of the agreement, the Company records a deferred rent expense and recognizes the rental expense on a straight-line basis throughout the lease term. The majority of the Company's facility leases contain renewal clauses and expire through *June 2022.* In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases. As of *December 31, 2017,* and *2016,* the Company had a deferred rent liability of approximately *$96,000* and *$92,000,* respectively.

The Company amortizes leasehold improvements over the shorter of the life of the lease or the life of the improvements. During the years ended *December 31, 2017* and *2016,* the Company recognized amortization for leasehold improvements of approximately $*39,000* and *$26,000.*

The Company has leased trucks and equipment in the normal course of business, which were recorded as an operating lease. The Company recorded rental expense on equipment under operating leases over the lease term as it becomes payable; there were *no* rent escalation terms associated with these equipment leases. The equipment leases contained a purchase options that allowed the Company to purchase the leased equipment at the end of the lease term, based on the market price of the equipment at the time of the lease termination. There are *no* significant equipment leases outstanding as of *December 31, 2017* and *2016.*

Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset *may not* be recovered. The Company reviews both qualitative and quantitative aspects of the business during the analysis of impairment. During the quantitative review, the Company reviews the undiscounted future cash flows in its assessment of whether or *not* long-lived assets have been impaired. *No* impairments were recorded during the years ended *December 31, 2017* or *2016.*

Revenue Recognition

The Company recognizes revenue when evidence of an arrangement exists, the fee is fixed or determinable, services are provided, and collection is reasonably assured.

Earnings (Loss) Per Share

Earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings per share is calculated by dividing net income (loss) by the diluted weighted average number of common shares. The diluted weighted average number of common shares is computed using the treasury stock method for common stock that *may* be issued for outstanding stock options and warrants.

As of *December 31, 2017,* and *2016,* there were outstanding stock options and warrants to acquire an aggregate of *6,457,335* and *4,391,169* shares of Company common stock, respectively, which have a potentially dilutive impact on earnings per share. For the years ended *December 31, 2017* and *2016,* the Company incurred losses of approximately *$6.9* million and *$8.5* million, respectively. As of *December 31, 2017,* the aggregate intrinsic value of outstanding stock options and warrants was approximately *$1.5* million. Dilution is *not* permitted if there are net losses during the period. As such, the Company does *not* show dilutive earnings per share for the years ended *December 31, 2017* and *2016.*

Loan Fees and Other Deferred Costs

In the normal course of business, the Company enters into loan agreements and amendments thereto with its primary lending institutions. The majority of these lending agreements and amendments require origination fees and other fees in the course of executing the agreements. For all costs associated with the execution of the lending agreements, the Company recognizes these as capitalized costs and amortizes these costs over the term of the loan agreement. All other costs *not* associated with the execution of the loan agreements are expensed as incurred. As of *December 31, 2017,* we had approximately *$232,000* in unamortized loan fees and other deferred costs associated with the *2017* Credit Agreement, which we expect to charge to expense ratably over the *three*-year term of that agreement.

Derivative Instruments

From time to time, the Company has interest rate swap agreements in place to hedge against changes in interest rates. The fair value of the Company's derivative instruments are reflected as assets or liabilities on the balance sheet. The accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative instrument and the resulting designation. Transactions related to the Company's derivative instruments accounted for as hedges are classified in the same category as the item hedged in the consolidated statement of cash flows. The Company did *not* hold derivative instruments for the years ended *December 31, 2017* and *2016,* for trading purposes.

In connection with the termination of the *2014* Credit Agreement, on *August 10, 2017,* we terminated the interest rate swap agreement with PNC. Changes in the fair value of the interest rate swap agreement were recorded in earnings. The Company was *not* party to any hedges as of *December 31, 2017.*

Income Taxes

The Company recognizes deferred tax liabilities and assets (Note *8*) based on the differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements that will result in taxable or deductible amounts in future years. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities will be recognized in income in the period that includes the enactment date. Deferred income taxes are classified as a net current or non-current asset or liability based on the classification of the related asset or liability for financial reporting purposes. A deferred tax asset or liability that is *not* related to an asset or liability for financial reporting is classified according to the expected reversal date. The Company records a valuation allowance to reduce deferred tax assets to an amount that it believes is more likely than *not* expected to be realized.

The Company accounts for any uncertainty in income taxes by recognizing the tax benefit from an uncertain tax position only if it is more likely than *not* that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company measures the tax benefits recognized in the financial statements from such a position based on the largest benefit that has a greater than *50%* likelihood of being realized upon ultimate resolution. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, the Company is required to make many subjective assumptions and judgments regarding income tax exposures. Interpretations of and guidance surrounding income tax law and regulations change over time and *may* result in changes to the Company's subjective assumptions and judgments which can materially affect amounts recognized in the consolidated balance sheets and consolidated statements of income. The result of the reassessment of the Company's tax positions did *not* have an impact on the consolidated financial statements.

Interest and penalties associated with tax positions are recorded in the period assessed as income tax expense. The Company files income tax returns in the United States and in the states in which it conducts its business operations. The Company's United States federal income tax filings for tax years *2013* through *2017* remain open to examination. In general, the Company's various state tax filings remain open for tax years *2013* to *2017.*

Fair Value

The Company follows authoritative guidance that applies to all financial assets and liabilities required to be measured and reported on a fair value basis. The Company also applies the guidance to non-financial assets and liabilities measured at fair value on a nonrecurring basis, including non-competition agreements and goodwill. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions of what market participants would use in pricing the asset or liability based on the best information available in the circumstances. For *2017* the Company valued its warrants using the Binomial Lattice model. The Company did *not* have any transfers between hierarchy levels during the year ended *December 31, 2017.* The financial and nonfinancial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

The hierarchy is broken down into *three* levels based on the reliability of the inputs as follows:

Level *1:*	Quoted prices are available in active markets for identical assets or liabilities;
Level *2:*	Quoted prices in active markets for similar assets and liabilities that are observable for the asset or liability; or
Level *3:*	Unobservable pricing inputs that are generally less observable from objective sources, such as discounted cash flow models or valuations.

Stock-based Compensation

Stock-based compensation cost is measured at the date of grant, based on the calculated fair value of the award as described below, and is recognized over the requisite service period, which is generally the vesting period of the equity grant.

The Company uses the Black-Scholes pricing model as a method for determining the estimated grant date fair value for all stock options awarded to employees, independent contractors, officers, and directors. The expected term of the options is based upon evaluation of historical and expected exercise behavior. The risk-free interest rate is based upon U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected life of the grant. Volatility is determined upon historical volatility of our stock and adjusted if future volatility is expected to vary from historical experience. The dividend yield is assumed to be *none* as we have *not* paid dividends nor do we anticipate paying any dividends in the foreseeable future.

The Company uses a Binomial Lattice ("Lattice") model to determine the fair value of certain warrants. The expected term used was the remaining contractual term. Expected volatility is based upon historical volatility over a term consistent with the remaining term. The risk-free interest rate is derived from the yield on *zero*-coupon U.S. government securities with a remaining term equal to the contractual term of the warrants. The dividend yield is assumed to be *zero*.

Management Estimates

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the realization of accounts receivable, evaluation of impairment of long-lived assets, stock-based compensation expense, income tax provision, the valuation of deferred taxes, and the valuation of warrant liability and the Company's interest rate swap. Actual results could differ from those estimates.

Reclassifications

Certain prior-period amounts have been reclassified for comparative purposes to conform to the fiscal *2017* presentation. These reclassifications have *no* effect on the Company's consolidated statement of operations.

Accounting Pronouncements

Recently Issued

In *May 2014,* the Financial Accounting Standards Board ("FASB") issued new revenue recognition guidance under Accounting Standards Update ("ASU") *2014-09* that will supersede the existing revenue recognition guidance under GAAP. The new standard focuses on creating a single source of revenue guidance for revenue arising from contracts with customers for all industries. The objective of the new standard is for companies to recognize revenue when it transfers the promised goods or services to its customers at an amount that represents what the company expects to be entitled to in exchange for those goods or services. In *July 2015,* the FASB deferred the effective date by *one* year (ASU *2015-14*). This ASU will now be effective for annual periods, and interim periods within those annual periods, beginning on or after *December 15, 2017.* Early adoption is permitted, but *not* before the original effective date of *December 15, 2016.* Since the issuance of the original standard, the FASB has issued several other subsequent updates including the following: *1*) clarification of the implementation guidance on principal versus agent considerations (ASU *2016-08*); *2*) further guidance on identifying performance obligations in a contract as well as clarifications on the licensing implementation guidance (ASU *2016-10*); *3*) rescission of several SEC Staff Announcements that are codified in Topic *605* (ASU *2016-11*); and *4*) additional guidance and practical expedients in response to identified implementation issues (ASU *2016-12*). The Company will adopt the new guidance effective January *1, 2018* using the modified retrospective approach, which recognizes the cumulative effect of application recognized on that date. The adoption of this standard will *not* have an impact on our consolidated financial statements.

In *February 2016,* the FASB issued ASU *2016-02* “Leases (Topic *842*)”, which requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than *12* months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after *December 15, 2018,* including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. We continue to evaluate the impact of this new standard on our consolidated financial statements. Once adopted, the Company expects to recognize additional assets and liabilities on its consolidated balance sheet related to operating leases with terms longer than *one* year.

In *August 2016,* the FASB issued ASU *2016-15,* “Statement of Cash Flows (Topic *230*), Classification of Certain Cash Receipts and Cash Payments (a consensus of the FASB Emerging Issues Task Force) (ASU *2016-15*)”, that clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows. The guidance also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than *one* class of cash flows. The guidance will be effective for annual periods beginning after *December 15, 2017* and interim periods within those annual periods. Early adoption is permitted. The Company is evaluating the effect of ASU *2016-15* on its consolidated financial statements.

Note *4* - Property and Equipment

Property and equipment consists of the following at (amounts in thousands):

	December 31, 2017	December 31, 2016
Trucks and vehicles	$ *54,925*	$ *54,267*
Water transfer equipment	*4,688*	*4,520*
Other equipment	*3,160*	*2,898*
Buildings and improvements	*3,551*	*3,984*
Land	*681*	*785*
Disposal wells	*391*	*391*
Total property and equipment	*67,396*	*66,845*
Accumulated depreciation	*(37,979*)	*(32,227*)
Property and equipment – net	$ *29,417*	$ *34,618*

Note *5* – Revolving Credit Facilities

East West Bank Revolving Credit Facility

On *August 10, 2017,* we entered into the *2017* Credit Agreement with East West Bank which provides for a *three*-year *$30* million senior secured revolving credit facility (the "New Credit Facility"). The *2017* Credit Agreement allows us to borrow up to *85%* of our eligible receivables and up to *85%* of the appraised value of our eligible equipment. Under the *2017* Credit Agreement, there are *no* required principal payments until maturity and we have the option to pay variable interest rate based on (i) *1*-month LIBOR plus a margin of *3.5%* or (ii) interest at the Wall Street Journal prime rate plus a margin of *1.75%.* Interest is calculated monthly and paid in arrears. Additionally, the New Credit Facility is subject to an unused credit line fee of *0.5%* per annum multiplied by the amount by which total availability exceeds the average monthly balance of the New Credit Facility, payable monthly in arrears. The New Credit Facility is collateralized by substantially all of our assets and subject to financial covenants. The outstanding principal loan balance matures on *August 10, 2020.* Under the terms of the *2017* Credit Agreement, collateral proceeds will be collected in bank-controlled lockbox accounts and credited to the New Credit Facility within *one* business day.

As of *December 31, 2017,* we had an outstanding principal loan balance under the *2017* Credit Agreement of approximately $*27.1* million with interest rates of *5.06%* and *4.88%* per year for $*24.5* million of outstanding LIBOR Rate borrowings and *6.25%* per year for the approximately *$2.6* million of outstanding Prime Rate borrowings. As of *December 31*, *2017,* approximately *$2.1* million was available to be drawn under the *2017* Credit Agreement, subject to limitations including the minimum liquidity covenant described below.

Under to the *2017* Credit Agreement, we are subject to the following financial covenants:

(*1*) Maintenance of a Fixed Charge Coverage Ratio ("FCCR") of *not* less than *1.10* to *1.00* at the end of each month, with a buildup beginning on *January 1, 2017,* through *December 31, 2017,* upon which the ratio will be measured on a trailing *twelve*-month basis;

(*2*) In periods when the trailing *twelve*-month FCCR is less than *1.20* to *1.00,* we are required to maintain minimum liquidity of *$1,500,000* (including excess availability under the *2017* Credit Agreement and balance sheet cash).

On *August 10, 2017,* an initial advance of approximately *$21.8* million was made under the New Credit Facility to repay in full all obligations outstanding under our Prior Credit Facility and fund certain closing costs and fees. Upon entering into the *2017* Credit Agreement, our trailing *12*-month FCCR was less than *1.20* to *1.00.* As a result, as of December *31, 2017* we were required to maintain minimum liquidity of *$1,500,000.* Our liquidity as of *December 31, 2017,* as defined in the *2017* Credit Agreement, was *$2.4* million. In addition, we have agreed with East West Bank that we will *not* pay any cash dividends on our common stock until our obligations to East West Bank are paid in full. As of *December 31, 2017,* we were in compliance with all covenants contained in the *2017* Credit Agreement.

On *November 20, 2017,* Enservco Corporation (the "Company") entered into a First Amendment and Waiver (the "Amendment and Waiver") with respect to the *2017* Credit Agreement, dated *November 20, 2017,* by and among the Company and East West Bank. Pursuant to the Amendment and Waiver, East West Bank waived an event of default with respect to the Company's failure to satisfy the minimum fixed charge coverage ratio set forth in the *2017* Credit Agreement for the reporting period ended *September 30, 2017,* and permitted the Company to forego testing of its fixed charge coverage ratio as of *October 31, 2017* and *November 30, 2017.* In connection with the Amendment and Waiver, the Company agreed to pay East West Bank an amendment fee in the amount of *$20,000.*

2014 PNC Credit Facility

In *September 2014,* the Company entered into an Amended and Restated Revolving Credit and Security Agreement (the *"2014* Credit Agreement") with PNC Bank, National Association ("PNC") which provided for a *five*-year *$30* million senior secured revolving credit facility which replaced a prior revolving credit facility and term loan with PNC that totaled *$16* million (the *"2012* Credit Agreement"). The *2014* Credit Agreement allowed the Company to borrow up to *85%* of eligible receivables and up to *75%* of the appraised value of trucks and equipment. Under the *2014* Credit Agreement, there were *no* required principal payments until maturity and the Company had the option to pay variable interest rate based on (i) *1, 2* or *3*-month LIBOR plus an applicable margin ranging from *4.50%* to *5.50%* for LIBOR Rate Loans or (ii) interest at PNC Base Rate plus an applicable margin of *3.00%* to *4.00%* for Domestic Rate Loans. Interest was calculated monthly and added to the principal balance of the loan. Additionally, the Company incurred an unused credit line fee of *0.375%.* The revolving credit facility was collateralized by substantially all of the Company's assets and subject to financial covenants. On *August 10, 2017* we repaid all amounts due under our Prior Credit Facility with PNC Bank using proceeds from New Credit Facility.

As of *December 31, 2016,* we had an outstanding principal loan balance under the *2014* Credit Agreement of *$23.2* million. The interest rate at *December 31, 2016* ranged from *5.21%* to *5.27%* per year for the *$21.3* million of outstanding LIBOR Rate Loans and *6.75%* per year for the *$1.9* million of outstanding Domestic Rate Loans. As of *December 31, 2016,* approximately *$4.5* million was available under the *2014* Credit Agreement. As of *December 31, 2016,* we were in compliance with our covenants under the *2014* Credit Agreement.

Debt Issuance Costs

We have capitalized certain debt issuance costs incurred in connection with the credit agreements discussed above and these costs are being amortized to interest expense over the term of the facility on a straight-line basis. As of *December 31, 2016,* approximately *$171,000,* of unamortized debt issuance costs were included in Prepaid expenses and other current assets in the accompanying consolidated balance sheets. The long-term portion of debt issuance costs of approximately *$232,000* and *$259,000* is included in Other Assets in the accompanying consolidated balance sheets for *December 31, 2017* and *2016,* respectively. During the years ended *December 31, 2017* and *2016,* the Company amortized approximately *$448,000* and *$153,000* of these costs to Interest Expense.

Interest Rate Swap

On *September 17, 2015,* the Company entered into an interest rate swap agreement with PNC to protect against variability in future interest payments related to its *2014* Credit Agreement. The terms of the interest rate swap agreement included an initial notional amount of *$10* million, a fixed payment rate of *1.88%* plus applicable a margin ranging from *4.50%* to *5.50%* paid by the Company and a floating payment rate equal to LIBOR plus applicable margin of *4.50%* to *5.50%* paid by PNC. The purpose of the swap agreement was to adjust the interest rate profile of the Company's debt obligations and to achieve a targeted mix of floating and fixed rate debt. In connection with the termination of the *2014* Credit Agreement, on *August 10, 2017,* we terminated the interest rate swap agreement with PNC. Our cost to terminate the agreement was approximately *$90,000,* which compared to our estimate of the fair value of the swap prior to the termination of approximately *$72,000.* We recorded the difference of approximately *$18,000* as additional interest expense.

The cash flows were discounted by the credit risk of the Company derived by industry and Company performance. As of *December 31, 2016,* the discount rate was *13.40%.*

During the years ended *December 31, 2016,* the fair market value of the swap instrument decreased by approximately *$72,000* and resulted in a decrease to the liability and a reduction in interest expense. The interest rate swap liability is included in accounts payable and accrued liabilities on the Company's balance sheet. As of *December 31, 2016,* the interest rate swap liability was *$91,000.* As of *December 31, 2017,* we were *not* party to any swap instruments.

Note *6* – Long-Term Debt

Long-term debt consists of the following at years *December 31, 2017* and *2016* (in thousands):

	December 31, 2017	**December 31, 2016**
Subordinated Promissory Note, net of discount of approximately $163,000. Interest is at 10%, interest is paid quarterly. Matures June 28, 2022	$ *1,337*	$ -
Subordinated Promissory Note, net of discount of approximately $108,000. Interest is at 10%, interest is paid quarterly. Matures June 28, 2022	*892*	-
Real Estate Loan for our facility in North Dakota, interest at 3.75%, monthly principal and interest payment of $5,255 ending October 3, 2028. Collateralized by land and property purchased with the loan.	*309*	*355*
Note payable to the seller of Heat Waves. The note was garnished by the Internal Revenue Service ("IRS") in 2009 and is due on demand; paid in annual installments of $36,000 per agreement with the IRS.	*125*	*170*
Mortgages payable to banks, interest ranging from 5.9% to 7.25%, due in monthly principal and interest payments of $6,105, secured by land. Remaining principal balances were paid in February 2017.	-	*97*
Total	*2,663*	*622*
Less current portion	*(182*)	*(318*)
Long-term debt, net of current portion	$ *2,481*	$ *304*

Aggregate maturities of debt, excluding the *2017* Credit Agreement described in Note *5,* are as follows (in thousands):

Years Ended December 31,	
2018	$182
2019	54
2020	56
2021	59
2022	2,290
Thereafter	22
Total	$2,663

Note *7* - Fair Value Measurements

The following tables present the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis by level within the fair value hierarchy (in thousands):

	Fair Value Measurement Using Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Measurement
December 31, 2017				
Derivative Instrument				
Warrant liability	$-	$ -	$ *831*	$ *831*
December 31, 2016				
Derivative Instrument				
Interest rate swap	$-	$ *91*	$ -	$ *91*

Derivative Instruments

The Company's warrant liability was valued as a derivative instrument at issuance and at *December 31, 2017* using a Binomial Lattice ("Lattice") model, using observable market inputs and management judgment based on the following assumptions: a risk-free interest rate of *2.14%*, expected dividend yield of *0%*, a term of *4.49* years, and a volatility of *89.58%*. The valuation policies used are approved by the Chief Financial Officer who reviews and approves the inputs used in the fair value calculations and the changes in fair value measurements from period to period for reasonableness. Fair value measurements are discussed with the Company's Chief Executive Officer, as deemed appropriate.

The Company's interest rate swap was valued using models which require a variety of inputs, including contractual terms, market prices, yield curves, credit spreads, and correlations of such inputs. Some of the model inputs used in valuing the derivative instruments trade in liquid markets, and therefore the derivative instrument is classified within Level *2* of the fair value hierarchy. For applicable financial assets carried at fair value, the credit standing of the counterparties is analyzed and factored into the fair value measurement of those assets. The fair value estimates of our derivative financial instruments do *not* reflect their actual trading value.

Certain assets and liabilities are measured at fair value on a nonrecurring basis. These assets and liabilities are *not* measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances. As of *December 31, 2017* and *2016,* the carrying value of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and interest approximates fair value due to the short-term nature of such items. The carrying value of the Company's credit agreements are carried at cost which are approximately the fair value of the debt as the related interest rate are at the terms that approximate rates currently available to the Company.

The Company did *not* have any transfers of assets or liabilities between Level *1,* Level *2* or Level *3* of the fair value measurement hierarchy during the years ended *December 31, 2017* and *2016.*

Note *8* – Income Taxes

The income tax provision (benefit) from operations consists of the following (in thousands):

	December 31,	
	2017	2016
Current		
Federal	$-	$-
State	-	-
Total Current	-	-
Deferred		
Federal	*(499)*	*(3,577)*
State	*(62)*	*(361)*
Total Deferred	*(561)*	*(3,938)*
Total Income Tax Benefit	$*(561)*	$*(3,938)*

Reduction of U.S. federal corporate tax rate

On *December 22, 2017,* the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act reduces the corporate tax rate to *21* percent, effective *January 1, 2018.* Consequently, we have recorded a decrease related to deferred tax assets of approximately *$585,000,* with a corresponding adjustment to deferred income tax benefit for the year ended *December 31, 2017.*

A reconciliation of computed income taxes by applying the statutory federal income tax rate of *21%* and *34%* to income (loss) from operations before taxes to the provision (benefit) for income taxes for the years ended *December 31, 2017* and *2016* is as follows (in thousands):

	December 31,	
	2017	2016
Computed income taxes at 21% and 34% for 2017 and 2016, respectively	$*(2,533)*	$*(4,229)*
Increase in income taxes resulting from:		
State and local income taxes, net of federal impact	*(202)*	*(373)*
Change in valuation allowance	*1,193*	*389*
Stock-based compensation	*408*	*262*

Change in tax rate	*585*	-
Other	*(12*)	*13*
Benefit for income taxes	$*(561*)	$*(3,938*)

In assessing the realization of deferred tax assets, management considers whether it is more likely than *not* that some portion or all of the deferred tax assets will *not* be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes a valuation allowance should be recorded to reduce its net deferred tax assets to zero.

We have a requirement of reporting of taxes based on tax positions which meet a more likely than *not* standard and which are measured at the amount that is more likely than *not* to be realized. Differences between financial and tax reporting which do *not* meet this threshold are required to be recorded as unrecognized tax benefits. This standard also provides guidance on the presentation of tax matters and the recognition of potential IRS interest and penalties. As of *December 31, 2017* and *2016,* the Company does *not* have an unrecognized tax liability.

The Company has approximately *$20.0* million of net operating losses that will begin to expire in the year *2035.*

The components of deferred income taxes for the years ended *December 31, 2017* and *2016* are as follows (in thousands):

	December 31, 2017	2016
Deferred tax assets		
Reserves and accruals	$*204*	$*239*
Amortization	*41*	*100*
Capital losses and other	*1*	*1*
Non-qualified stock option expense	*164*	*390*
Tax credits	-	*113*
Loss Carryforwards	*5,116*	*5.949*
Total deferred tax assets	*5,526*	*6,792*
Valuation allowance	(*1,500*)	(*390*)
Net deferred tax assets	*4,026*	*6,402*
Deferred tax liabilities		
Depreciation	(*4,026*)	(*6,871*)
Total deferred tax liabilities	(*4,026*)	(*6,871*)
Net deferred tax assets (liabilities)	$-	$(*469*)

The Company uses significant judgment in forming conclusions regarding the recoverability of its deferred tax assets and evaluates all available positive and negative evidence to determine if it is more-likely-than-*not* that the deferred tax assets will be realized. To the extent recovery does *not* appear likely, a valuation allowance must be recorded. As of *December 31, 2017,* the Company recorded a valuation allowance of *$1.5* million and *$0.4* million as of *December 31, 2017* and *2016,* respectively.

It is possible that the relative weight of positive and negative evidence regarding the realization of deferred tax assets *may* change, which could result in a material increase or decrease in the Company's valuation allowance. Such a change could result in a material increase or decrease to income tax expense in the period the assessment was made.

The Company classifies penalty and interest expense related to income tax liabilities as an other expense. During the year ended *December 31, 2017,* The Company did *not* incur any interest and penalties for the years ended *December 31, 2017* and *2016,* respectively.

The Company files tax returns in the United States, in various states including Colorado, Kansas, North Dakota, Ohio, Pennsylvania, and Texas. The Company's United States federal income tax filings for tax years *2014* through *2017* remain open to examination. In general, the Company's various state tax filings remain open for tax years *2013* to *2017.*

Note *9* – Stockholders Equity

Secondary Stock Offering

On *December 2, 2016,* the Company entered into an underwriting agreement for the offer and sale in a firm commitment offering of *11,250,000* shares of the Company's common stock, *$0.005* par value per share, at a public offering price of *$0.40* per share. Pursuant to the Underwriting Agreement, the Company granted the Underwriter a *30*-day option to purchase up to *1,687,500* additional shares of Common Stock (the "Additional Shares" and, together with the Initial Shares, the "Shares") at the public offering price. On *December 5, 2016,* the Underwriter exercised in full its option to purchase the Additional Shares. The Company collected gross proceeds of *$5.2* million which was offset by offering costs of *$759,000,* for net proceeds of *$4.4* million. The offering costs were recorded within additional paid in capital. The Company used the net proceeds to repay outstanding indebtedness under its revolving credit facility thereby increasing its liquidity for general corporate purposes, working capital, acquisitions and/or capital expenditures.

Stock Issued for Services

During the year ended *December 31, 2017,* the Company did *not* issue any shares of common stock for services. During the year ended *December 2016,* the Company issued *3,031* shares of common stock to a consultant as partial compensation for services provided to the Company. The shares were granted under the *2010* Stock Incentive Plan and were fully vested and unrestricted at the time of issuance. For the years ended *December 31, 2016,* the Company recorded approximately *$2,000* of consulting expense for these services as non-cash compensation in the accompanying consolidated statement of operations.

65

Warrants

A summary of warrant activity for the years ended *December 31, 2017* and *2016* is as follows (amounts in thousands):

Warrants	**Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (Years)**	**Aggregate Intrinsic Value**
Outstanding at January 1, 2016	*150,001*	$ *0.55*	*1.9*	$ -
Issued	*30,000*	*0.70*	*4.5*	-
Exercised	-	-	-	-
Forfeited/Cancelled	-	-	-	-
Outstanding at December 31, 2017	*180,001*	$ *0.57*	*1.5*	$ *2*
Issued	*1,612,902*	*0.31*	*4.5*	*539*
Exercised	*(112,500*)	*0.55*	-	-
Forfeited/Cancelled	*(37,500*)	-	-	-
Outstanding at December 31, 2017	*1,642,903*	$ *0.32*	*4.5*	$ *539*
Exercisable at December 31, 2017	*1,642,903*	$ *0.32*	*4.5*	$ *539*

In *June 2016,* the Company granted a principal of the Company's existing investor relations firm warrants to acquire *30,000* shares of the Company's common stock in connection with a reduction of the firms ongoing monthly cash service fees. The warrants were issued at an initial exercise price of *$0.70* per share, subject to further adjustment based on a volume weighted average price ("VWAP") for the *10* days prior to the issuance date of the warrants. There were *no* adjustments made to the exercise price at date of issuance. The warrants had a grant-date fair value of *$0.36* per share and vest over a *one*-year period, *15,000* on *December 21, 2016* and *15,000* on *June 21, 2017,* provided the principal of the investor relations firm remains a consultant of the Company at time of vesting. As of *December 31, 2017,* all of these warrants remain outstanding.

In *June 2017,* in connection with a subordinated loan agreement described in more detail in Note *5,* the Company granted Cross River Partners, L.P. *two five*-year warrants to buy an aggregate total of *1,612,902* shares of the Company's common stock at an exercise price of *$0.31* per share, the average closing price of the Company's common stock for the *20*-day period ended *May 11, 2017.* The warrants had a grant-date fair value of *$0.19* per share and vested in full on *June 28, 2017.* These warrants are accounted for as a liability in the accompanying balance sheet. As of *December 31, 2017,* all of these warrants remain outstanding.

During the year ended *December 31, 2017, 112,500* warrants were exercised using the cashless option to acquire *26,729* shares of common stock. The warrants exercised had a total intrinsic value of approximately *$19,000* at the time of exercise.

Note *10* – Stock Options

Stock Option Plans

On *July 27, 2010,* the Company's Board of Directors adopted the *2010* Stock Incentive Plan (the *"2010* Plan"). The aggregate number of shares of common stock that could be granted under the *2010* Plan was reset at the beginning of each year based on *15%* of the number of shares of common stock then outstanding. As such, on *January 1, 2016* the number of shares of common stock available under the *2010* Plan was reset to *5,719,069* shares based upon *38,127,129* shares outstanding on that date. Options were typically granted with an exercise price equal to the estimated fair value of the Company's common stock at the date of grant with a vesting schedule of *one* to *three* years and a contractual term of *5* years. As discussed below, the *2010* Plan has been replaced by a new stock option plan and *no* additional stock option grants will be granted under the *2010* Plan. As of *December 31, 2017,* there were options to purchase *1,467,773* shares outstanding under the *2010* Plan.

On *July 18, 2016,* the Board of Directors unanimously approved the adoption of the Enservco Corporation *2016* Stock Incentive Plan (the "*2016* Plan"), which was approved by the stockholders on *September 29, 2016.* The aggregate number of shares of common stock that *may* be granted under the *2016* Plan is *8,000,000* shares plus authorized and unissued shares from the *2010* Plan totaling *2,391,711* for a total reserve of *10,391,711* shares. As of *December 31, 2017,* there were options to purchase *3,346,660* shares outstanding under the *2016* Plan.

A summary of the range of assumptions used to value stock options granted for the years ended *December 31, 2017* and *2016* are as follows:

	For the Years Ended December 31,	
	2017	**2016**
Expected volatility	*89 -93%*	*81 - 104%*
Risk-free interest rate	*1.4–1.5%*	*0.57–1.02%*
Dividend yield	- --	- --
Expected term (in years)	*3.0–3.5*	*1.0 –3.5*

During the year ended *December 31, 2017,* the Company granted options to acquire *2,971,600* shares of common stock with a weighted-average grant-date fair value of *$0.19* per share. During the year ended *December 31, 2017, no* options were exercised. During the year ended *December 31, 2016,* the Company granted options to acquire *3,525,000* shares of common stock with a weighted-average grant-date fair value of *$0.28* per share. During the year ended *December 31, 2016, no* options were exercised.

The following is a summary of stock option activity for all equity plans for the years ended *December 31, 2017* and *2016* (amounts in thousands):

	Shares	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term (Years)**	**Aggregate Intrinsic Value**
Outstanding at January 1, 2016	*3,485,168*	$ *1.31*	*2.53*	$ *63*
Granted	*3,525,000*	*0.78*		
Exercised	-	-		
Forfeited or Expired	*(2,799,000*)	*0.96*		
Outstanding at December 31, 2016	*4,211,168*	$ *1.09*	*2.85*	$ *46*
Granted	*2,971,600*	*0.32*		
Exercised	-	-		
Forfeited or Expired	*(2,368,334*)	*0.90*		
Outstanding at December 31, 2017	*4,814,434*	$ *0.71*	*3.46*	$ *1,007*
Vested or Expected to Vest at December 31, 2017	*2,282,834*	$ *1.02*	*2.77*	$ *317*
Exercisable at December 31, 2017	*2,282,834*	$ *1.02*	*2.77*	$ *317*

The aggregate intrinsic value in the table above represents the total intrinsic value (the difference between the estimated fair value of the Company's common stock and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had they exercised their options on *December 31, 2017.*

As discussed below in the Forfeiture and Grant of Stock Options paragraph, on *July 18, 2016,* options to purchase *2,560,000* shares of common stock that were granted under the *2010* Plan to certain officers and directors were cancelled pursuant to certain letter agreements. The Company subsequently granted options to purchase *1,960,000* of shares under the *2016* Plan, which was approved by the stockholders on *September 29, 2016.* The New Options contain relatively the same terms as the forfeited options, with the exception that the exercise price on New Options was *not* below the closing market price on the date the Special Committee approved the New Options. Accordingly, the Company treated the forfeiture and granting of New Options as a modification of stock options for accounting purposes.

During the years ended *December 31, 2017* and *2016,* the Company recognized stock-based compensation costs for stock options of approximately $*704,000* and *$662,000,* respectively, in general and administrative expenses. As of *December 31, 2017,* the Company expected all outstanding options to vest. Compensation cost is revised if subsequent information indicates that the actual number of options vested due to service is likely to differ from previous estimates.

A summary of the status of non-vested shares underlying the options are presented below:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Non-vested at January 1, 2016	*1,323,669*	$ *1.22*
Granted	*3,525,000*	*0.28*
Vested	*(1,934,835*)	*0.49*
Forfeited	*(1,254,000*)	*0.56*
Non-vested at December 31, 2016	*1,659,834*	$ *0.58*
Granted	*2,971,600*	*0.19*
Vested	*(2,003,167*)	*0.43*
Forfeited	*(96,668*)	*0.55*
Non-vested at December 31, 2017	*2,531,599*	$ *0.24*

As of *December 31, 2017,* there was approximately *$554,00* of total unrecognized compensation costs related to non-vested shares under the qualified stock option plans which will be recognized over the remaining weighted-average period of *1.42* years.

Forfeiture and Grant of Stock Options

On *June 17, 2016,* the Board of Directors appointed a special committee of disinterested directors (the "Special Committee") to address certain claims in a letter dated *June 14, 2016* from an attorney purporting to represent a stockholder of the Company regarding the Company's *2010* Stock Incentive Plan (the *"2010* Plan") and equity awards granted thereunder. After investigation and consultation with special counsel, the Special Committee verified that certain stock options granted under the *2010* Plan had exceeded an applicable limitation in the *2010* Plan.

On *July 7, 2016,* the Special Committee unanimously approved: (a) the rescission (and forfeiture by the holders) of certain stock option awards to purchase *2,560,000* shares of the Company's common stock that had been granted to various officers and directors in excess of the *2010* Plan's limitations ("Excess Shares"), and (b) the grant of new options to purchase *1,960,000* shares of the Company's common stock (the "New Options"), pursuant to the *2016* Plan. The New Options were subject to: (i) each of the option holders entering into a rescission letter agreement with the Company and (ii) stockholder approval of the *2016* Plan.

On *July 18, 2016,* the Board of Directors unanimously approved the adoption of the *2016* Plan, which after stockholder approval thereof, replaced the *2010* Plan. Further, the Company entered into rescission letter agreements with the various executive officers and directors whereby each such officer/director agreed to forfeit their Excess Shares. The Company agreed to grant the New Options pursuant to new stock option agreements that provide for vesting on substantially the same schedule as the Excess Shares would have vested but could *not* have been exercised prior to stockholder approval of the *2016* Plan on *September 29, 2016.* The exercise price of the New Options is the greater of the original exercise price of the Excess Shares or the closing market price on *July 7, 2016,* the date the Special Committee approved the New Options. Under the letter agreements, the termination date of each New Option is the termination date of the rescinded option, except that if the termination date of the rescinded option is prior to the *two*-year anniversary of the date of the letter agreement, then the termination date of the New Option is extended *six* months past the termination date of the rescinded option. Further, the Company agreed to submit the *2016* Plan to the stockholders of the Company for approval and on *September 29, 2016,* the stockholders approved the *2016* Plan. The re-priced options did *not* have any change in the non-cash compensation recognize during the period, since the re-priced fair-value was *not* in excess of the original fair value.

In *November 2016,* the Special Committee reached a settlement with the attorney and stockholder that sent the initial demand letter and agreed to pay an immaterial amount in settlement of the matter above.

Note *11* – Commitments and Contingencies

Operating Leases

As of *December 31, 2017,* the Company leases facilities under lease commitments that expire through *August 2022*. All of these facility leases are accounted for as operating leases. Future minimum lease commitments for these facilities and other operating leases are as follows (in thousands):

Year Ended December 31,	
2018	$*654*
2019	*633*
2020	*574*
2021	*377*
2022	*181*
Thereafter	-
Total	$*2,419*

Rent expense under operating leases for the years ended *December 31, 2017* and *2016* were approximately *$808,000* and *$789,000,* respectively.

HydroFLOW Agreement

Pursuant to a Sales Agreement with HydroFLOW USA, HWWM has the exclusive right to sell or rent patented hydropath devices in connection with bacteria deactivation and scale treatment services for treating injection and disposal wells, fracking water and recycled water in the oil and gas industry to HWWM customers in the United States. Pursuant to the sales agreement, HWWM is required to pay *3.5%* royalties of its gross revenues on certain rental transactions and, in order to maintain the exclusivity provision under the agreement, the Company must purchase approximately *$655,000* of equipment per year commencing in *2016* and ending *2025.* In *November 2016,* the Company and HydroFLOW USA agreed to allocate *$220,000* of the *2016* commitment to *2017,* thereby increasing the minimum purchase requirement for *2017* to *$875,000.* During the year ended *December 31, 2017,* the Company completed the purchase of *$280,000* of equipment to fulfill its *2016* purchase commitment for exclusivity. During the years ended *December 31, 2017* and *2016,* the Company did *not* accrue or pay any royalties to HydroFLOW. The Company has negotiated a release of all *2016* and *2017* purchase commitments, while leaving intact the exclusive right to sell or rent the patented hydropath devices through *2017.* As of *January 9, 2018,* the Company terminated its Sales Agreement with HydroFLOW USA.

Self-Insurance

In *June 2015,* the Company elected to become self-insured under its Employee Group Medical Plan for the *first $50,000* per individual participant. The Company has accrued a liability of approximately $*102,000* and *$23,000* for the years ended *December 31, 2017* and *2016,* respectively, for insurance claims that it anticipates paying in the future related to incidents that occurred during the years ended *December 31, 2017* and *2016.*

Effective *April 1, 2015,* the Company entered into a workers' compensation and employer's liability insurance policy with a term through *March 31, 2018.* Under the terms of the policy, the Company is required to pay premiums in addition to a portion of the cost of any claims made by our employees, up to a maximum of approximately *$1.5* million over the term of the policy. In *June 2017,* an employee of *one* of our subsidiaries sustained bodily injury while in the course of employment, and the projected cost of the claim exceeded the amount we had previously paid in under the policy. As a result, during the year ended *December 30, 2017,* we made a payment of approximately *$612,000* under the terms of the policy. The amount was based on an estimate of the total cost of the claim, including costs that, as of *December 31, 2017,* have *not* yet been paid in connection with the claim. During the year ended *December 31, 2017,* our insurance carrier formally denied the workers' compensation claim and is moving to close the claim entirely. We recorded approximately *$438,000* in payments made under the plan as a long-term asset, which we expect will either be recorded as expense or refunded to us by our insurance carrier, depending on the outcome of the claim described above and any additional claims incurred under the policy. Per the terms of our policy, through *December 31, 2017,* we had paid in approximately *$1.6* million of the projected maximum plan cost of *$1.6* million. As of *December 31, 2017,* we estimate that our maximum continued exposure to this and other workers' compensation claims through the term of our policy and additional policy premiums is approximately *$161,000.*

Litigation

Enservco Corporation (“Enservco”) and its subsidiary Heat Waves Hot Oil Service LLC (“Heat Waves”) are defendants in a civil lawsuit in federal court in Colorado, Civil Action *No. 1:15*-cv-*00983*-RBJ (“Colorado Case”), that alleges that Enservco and Heat Waves, in offering and selling frac water heating services, infringed and induced others to infringe *two* patents owned by Heat-On-The-Fly, LLC (“HOTF”). The complaint relates to only a portion of the frac water heating services provided by Heat Waves. The Colorado Case is now stayed pending resolution of an appeal by HOTF of a North Dakota court’s ruling that the primary patent (“the *‘993* Patent”) in the Colorado Case was invalid. Neither Enservco nor Heat Waves is a party to the North Dakota Case, which involves other energy companies.

In the event that HOTF’s appeal is successful and the *‘993* Patent is found to be valid and/or enforceable in the North Dakota Case, the Colorado Case *may* resume. To the extent that Enservco and Heat Waves are unsuccessful in their defense of the Colorado Case, they could be liable for enhanced damages/attorneys’ fees (both of which *may* be significant) and Heat Waves could possibly be enjoined from using any technology that is determined to be infringing. Either result could negatively impact Heat Waves’ business and operations. At this time, the Company is unable to predict the outcome of this case, and accordingly has *not* recorded an accrual for any potential loss.

Note *12*- Segment Reporting

Enservco’s reportable business segments are Well Enhancement Services, Water Transfer Services, Water Hauling Services, and Construction Services. These segments have been selected based on management’s resource allocation and performance assessment in making decisions regarding the Company.

The following is a description of the segments.

Well Enhancement Services: This segment utilizes a fleet of frac water heating units, hot oil trucks and acidizing units to provide well enhancement and completion services to the domestic oil and gas industry. These services include frac water heating, hot oil services, pressure testing, and acidizing services.

Water Transfer Services: This segment utilizes a high and low volume pumps, lay flat hose, aluminum pipe and manifolds and related equipment to move fresh and/or recycled water from a water source such as a pond, lake, river, stream, or water storage facility to frac tanks at drilling locations to be used in connection with well completion activities. Also included in this segment are water treatment services whereby the Company uses patented hydropath technology under a sales agreement with HydroFLOW USA to remove bacteria and scale from water.

Water Hauling Services: This segment utilizes a fleet of trucks and related assets, including specialized tank trucks, vacuum trailers, storage tanks, and disposal facilities to provide various water hauling services. These services are primarily provided by Dillco in the Hugoton Field.

Construction Services: This segment utilizes a fleet of trucks and equipment to provide excavation grading, and dirt hauling services to the oil and gas and construction industry. In *2016,* the Company started utilizing these assets to provide dirt hauling services to a general contractor in Colorado.

Unallocated and other includes general overhead expenses and assets associated with managing all reportable operating segments which have *not* been allocated to a specific segment.

The following table sets forth certain financial information with respect to Enservco's reportable segments (in thousands):

	Well Enhancement	Water Transfer Services	Water Hauling	Construction Services	Unallocated & Other	Total
Year Ended December 31, 2017:						
Revenues	$ *34,686*	$ *2,128*	$ *3,684*	$ *254*	$ *-*	$ *40,752*
Cost of Revenue	*25,902*	*2,666*	*3,979*	*212*	*845*	*33,604*
Segment Profit	$ *8,784*	$ *(538*)	$ *(295*)	$ *42*	$ *(845*)	$ *7,148*
Depreciation and Amortization	$ *4,817*	$ *985*	$ *655*	$ *-*	$ *31*	$ *6,488*
Capital Expenditures	$ *1,184*	$ *487*	$ *89*	$ *-*	$ *6*	$ *1,766*
Identifiable assets(1)	$ *37,651*	$ *2,986*	$ *1,730*	$ *-*	$ *511*	$ *42,878*
Year Ended December 31, 2016:						
Revenues	$ *17,864*	$ *184*	$ *3,838*	$ *2,713*	$ *9*	$ *24,608*
Cost of Revenue	*15,654*	*1,629*	*3,797*	*2,992*	*749*	*24,821*
Segment Profit	$ *2,210*	$ *(1,445*)	$ *41*	$ *(279*)	$ *(740*)	$ *(213*)
Depreciation and Amortization	$ *4,932*	$ *1,146*	$ *669*	$ *-*	$ *118*	$ *6,865*
Capital Expenditures (Excluding Acquisitions)	$ *759*	$ *196*	$ *46*	$ *-*	$ *16*	$ *1,017*
Identifiable assets(1)	$ *33,827*	$ *3,516*	$ *2,048*	$ *600*	$ *305*	$ *40,296*

(1) Identifiable assets is calculated by summing the balances of accounts receivable, net; inventories; property and equipment, net; and other assets.

The following table reconciles the segment profits reported above to the loss from operations reported in the consolidated statements of operations (in thousands):

	December 31, 2017	December 31, 2016
Segment profit (loss)	$ *7,148*	$ *(213)*
General and administrative expense	*(5,243)*	*(3,780)*
Patent litigation defense costs	*(129)*	*(151)*
Depreciation and amortization	*(6,488)*	*(6,865)*
Loss from Operations	$ *(4,712)*	$ *(11,009)*

72

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the 1934 Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the 1934 Act is accumulated and communicated to management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, under the direction of our Chief Executive Officer (who is our principal executive officer), and Chief Financial Officer (who is our principal accounting officer) has evaluated the effectiveness of our disclosure controls and procedures as required by 1934 Act Rule 13a-15(b) as of December 31, 2017 (the end of the period covered by this report). Based on that evaluation, our principal executive officer and our principal accounting officer concluded that these disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the 1934 Act is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

The Company, including its Chief Executive Officer and Chief Financial Officer, does not expect that its internal controls and procedures will prevent or detect all error and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Management's Annual Report on Internal Control Over Financial Reporting

In accordance with Item 308 of SEC Regulation S-K, management is required to provide an annual report regarding internal controls over our financial reporting. This report, which includes management's assessment of the effectiveness of our internal controls over financial reporting, is found below. Inasmuch as the Company is neither an accelerated filer nor a large accelerated filer, the Company is not obligated to provide an attestation report on the Company's internal control over financial reporting by the Company's registered public accounting firm.

Internal Control Over Financial Reporting

Our management is also responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") as defined in Rules 13a-15(f) and 15d-15(f) under the 1934 Act. Our ICFR are intended to be designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our ICFR are expected to include those policies and procedures that management believes are necessary that:

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with proper authorizations of management and our directors; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management recognizes that there are inherent limitations in the effectiveness of any system of internal control, and accordingly, even effective internal control can provide only reasonable assurance with respect of financial statement preparation and may not prevent or detect misstatements. In addition, effective internal control at a point in time may become ineffective in future periods because of changes in conditions or due to deterioration in the degree of compliance with our established policies and procedures.

As of December 31, 2017, management (with the participation of the Chief Executive Officer and the Chief Financial Officer) conducted an evaluation of the effectiveness of the Company's ICFR based on the framework set forth in *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and SEC guidance on conducting such assessments by smaller reporting companies and non-accelerated filers. Based on that assessment, management (with the participation of the Chief Executive Officer and the Chief Financial Officer) concluded that, during the period covered by this report, such internal controls and procedures were effective as of December 31, 2017.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information responsive to Items 401, 405, 406 and 407 of Regulation S-K to be included in our definitive proxy statement for our 2018 Annual Meeting of Shareholders, to be filed within 120 days of December 31, 2017, pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the “Proxy Statement”), is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information responsive to Items 402 and 407 of Regulation S-K to be included in our Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information responsive to Items 201(d) and 403 of Regulation S-K to be included in our proxy statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information responsive to Items 404 and 407 of Regulation S-K to be included in our Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information responsive to Item 9(e) of Schedule 14A to be included in our Proxy Statement is incorporated herein by reference.

PART IV.

ITEM 15. EXHIBITS

Exhibit No.	Title
3.01	Second Amended and Restated Certificate of Incorporation. (1)
3.02	Certificate of Amendment of Second Amended and Restated Certificate of Incorporation (2)
3.03	Amended and Restated Bylaws. (3)
10.01	Employment Agreement between the Company and Austin Peitz. (5)(8)(9)
10.02	Employment Agreement between the Company and Ian Dickinson.
10.03	Loan and Security Agreement with East West Bank, a California banking corporation.
10.04	Form of Indemnification Agreement. (6)
10.05	2016 Stock Incentive Plan (4)
10.06	Subordinated Loan Agreement(10)
10.07	Subordinated Promissory Note – $1.0 Million(10)
10.08	Subordinated Promissory Note – $1.5 Million(10)
10.09	Warrant – 645,161 Shares(10)
10.10	Warrant – 967,741 Shares(10)
10.11	Executive Severance Agreement dated May 5, 2017, by and between Rick D. Kasch and the Company(11)
10.12	Executive Severance Agreement dated June 8, 2017, by and between Robert J. Devers and the Company(12)
10.13	First Amendment to Loan and Security Agreement and Waiver, dated November 20, 2017.(13)
10.14	Amended and Restated Revolving Credit and Security Agreement dated as of September 12, 2014. (16)

10.15	Consent and First Amendment to Amended and Restated Revolving Credit and Security Agreement dated February 27, 2015[17]
10.16	Second Amendment to Amended and Restated Revolving Credit and Security Agreement effective March 29, 2015.[18]
10.17	Third Amendment to Amended and Restated Revolving Credit and Security Agreement effective July 16, 2015.[19]
10.18	Fourth Amendment to Amended and Restated Revolving Credit and Security Agreement and First Amendment to Amended and Restated Pledge Agreement effective October 19, 2015.[20]
10.19	Fifth Amendment to Amended and Restated Revolving Credit and Security Agreement effective December 31, 2015. [21]
10.20	Sixth Amendment to Amended and Restated Revolving Credit and Security Agreement dated March 29, 2016.[22]
10.21	Seventh Amendment to Amended and Restated Revolving Credit and Security Agreement effective August 10, 2016.[23]
10.22	Eighth Amendment to Amended and Restated Revolving Credit and Security Agreement effective October 4, 2016.[24]
10.23	Ninth Amendment to Amended and Restated Revolving Credit and Security Agreement effective December 31, 2016[25]
10.24	Underwriting agreement to issue and sell to William Blair & Company, LLC an offer and sale in a firm commitment offering of 11,250,000 common stock shares.[26]

11.1	Statement of Computation of per share earnings. Filed herewith. (contained in Note 2 to the Consolidated Financial Statements).
14.1	Code of Business Conduct and Ethics Whistleblower Policy. (7)
21.1	Subsidiaries of Enservco Corporation. Filed herewith.
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Principal Executive Officer). Filed herewith.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Principal Financial Officer). Filed herewith.
32.1	Certification pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002 (Chief Executive Officer). Filed herewith.
32.2	Certification pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (Chief Financial Officer). Filed herewith.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

(1) Incorporated by reference from the Company’s Current Report on Form 8-K dated December 30, 2010, and filed on January 4, 2011.

(2) Incorporated by reference from the Company’s Current Report on Form 8-K dated June 20, 2014, and filed on June 25, 2014.

(3) Incorporated by reference from the Company’s Current Report on Form 8-K dated July 27, 2010, and filed on July 28, 2010.

(4) Incorporated by reference from the Company’s Proxy Statement on Form DEF 14A and filed on August 16, 2016.

(5) Incorporated by reference from the Company’s Current Report on Form 8-K dated July 1, 2014, and filed on July 3, 2014.

(6) Incorporated by reference from Exhibit 10.07 to the Company’s Annual Report on Form 10-K dated December 31, 2013 and filed on March 18, 2014.

(7) Incorporated by reference from the Company’s Current Report on Form 8-K dated July 27, 2010, and filed on July 28, 2010.

(8) Incorporated by reference from the Company’s Current Report on Form 8-K dated April 8, 2015, and filed on April 10, 2015.

(9) Incorporated by reference from the Company’s Current Report on Form 8-K dated June 22, 2016, and filed on June 27, 2016.

(10) Incorporated by reference from the Company’s Current Report on Form 8-K dated June 28, 2017, and filed on July 3, 2017.

(11) Incorporated by reference from the Company’s Current Report on Form 8-K dated May 5, 2017, and filed on May 11, 2017.

(12) Incorporated by reference from the Company’s Current Report on Form 8-K dated June 8, 2017, and filed on June 12, 2017.

(13) Incorporated by reference from the Company's Current Report on Form 8-K dated November 20, 2017, and filed on November 21, 2017.
(14) Incorporated by reference from the Company's Current Report on Form 8-K dated December 12, 2017, and filed on December 18, 2017.
(15) Incorporated by reference from the Company's Current Report on Form 8-K dated May 5, 2017, and filed on May 11, 2017.
(16) Incorporated by reference from the Company’s Current Report on Form 8-K dated September 12, 2014, and filed on September 18, 2014.
(17) Incorporated by reference from the Company’s Current Report on Form 8-K dated February 27, 2015, and filed on March 5, 2015.
(18) Incorporated by reference from the Company's Form 10-Q for the period ended March 31, 2015, nd filed on May 14, 2015.
(19) Incorporated by reference from the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, and filed on August 14, 2015.
(20) Incorporated by reference from Exhibit 10.12 to the Company’s Annual Report on Form 10-K dated December 31, 2015 and filed on March 30, 2016.
(21) Incorporated by reference from the Company’s Current Report on Form 8-K dated January 19, 2016, and filed on January 20, 2016.
(22) Incorporated by reference from Exhibit 10.14 to the Company’s Annual Report on Form 10-K dated December 31, 2015 and filed on March 30, 2016.
(23) Incorporated by reference from the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, and filed on August 12, 2016.
(24) Incorporated by reference from the Company’s Current Report on Form 8-K dated September 29, 2016, and filed on October 5, 2016.
(25) Incorporated by reference from the Company’s Current Report on Form 8-K dated February 3, 2017, and filed February 7, 2017.
(26) Incorporated by reference from the Company’s Current Report on Form 8-K dated December 2, 2016, and filed on December 7, 2016.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 22, 2018

ENSERVCO CORPORATION,

a Delaware Corporation

/s/ Ian Dickinson

Principal Executive Officer and Chief Executive officer

/s/ Dustin Bradford

Principal Financial Officer & Principal Accounting Officer

(Power of Attorney)

Each person whose signature appears below constitutes and appoints Ian Dickinson and Dustin Bradford his true and lawful attorneys-in-fact and agents, each acting along, with full power of stead, in any and all capacities, to sign any or all amendments to this annual report on Form 10-K for the year ended December 31, 2017, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Date	**Name and Title**	**Signature**
March 22, 2018	Ian Dickinson Chief Executive Officer (principal executive officer)	/s/ Ian Dickinson
March 22, 2018	Dustin Bradford Treasurer and Chief Financial Officer (principal financial officer and principal accounting officer)	/s/ Dustin Bradford
March 22, 2018	Richard A. Murphy Chairman of the Board and Director	/s/ Richard A. Murphy
March 22, 2018	Keith J. Behrens Director	/s/ Keith J. Behrens
March 22, 2018	Robert S. Herlin Director	/s/ Robert S. Herlin
March 22, 2018	William A. Jolly Director	/s/ William A. Jolly
March 22, 2018	Christopher Haymons Director	/s/ Christopher Haymons