

PLURISTEM THERAPEUTICS INC
Form 424B5
January 26, 2011

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

Subject to Completion. Dated January 11, 2011

PRELIMINARY PROSPECTUS SUPPLEMENT
(to prospectus dated January 11, 2011)

Filed pursuant to Rule 424(b)(5)
Registration No. 333-171334

Shares of Common Stock

Warrants to purchase up to _____ Shares of Common Stock

Pluristem Therapeutics Inc. is offering up to _____ shares of its common stock and warrants to purchase up to _____ shares of its common stock at an exercise price of \$__ per share of common stock. The shares of common stock and warrants will be sold in units, with each unit consisting of one share of common stock and a warrant to purchase _____ shares of common stock. Each unit will be sold at a price of \$ _____ per unit.

Our common stock is traded on the NASDAQ Capital Market under the symbol "PSTI." On January 25, 2011, the last reported sale price of our common stock on the NASDAQ Capital Market was \$3.96 per share. Our common stock also recently began to trade on the Tel Aviv Stock Exchange (TASE) under the symbol "PLTR."

This prospectus supplement is not complete without, and may not be utilized except in connection with, the accompanying prospectus dated January 11, 2011. Further, we incorporate important information into this prospectus supplement and the accompanying prospectus by reference.

There is no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased under this prospectus supplement. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of such Warrants, and the extent of issuer regulation. See "Risk Factors."

Investing in our securities involves a high degree of risk. See the "Risk Factors" section on page S-6 of this prospectus supplement and the corresponding sections in the accompanying prospectus and in our Annual Report on Form 10-K for the year ended June 30, 2010, and our subsequent filings with the Securities and Exchange Commission under the Securities Exchange Act of 1934, which are incorporated by reference into this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

Per Unit Total

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Public offering price	\$	\$
Underwriting discount	\$	\$
Offering proceeds to us, before expenses	\$	\$

We have granted the underwriters a 30-day option to purchase up to additional units on the same terms and conditions as are set forth above to cover over-allotments, if any.

The underwriters expect to deliver the units to purchasers on or about January , 2011. The underwriters are offering the units on a firm commitment basis, as set forth under “Underwriting.”

Sole Book-Running Manager
Oppenheimer & Co.

Co-Lead Manager
Needham & Company, LLC

The date of this prospectus supplement is January , 2011.

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ABOUT THIS PROSPECTUS SUPPLEMENT

A registration statement on Form S-3 (File No. 333-171334), or the registration statement, utilizing a “shelf” registration process relating to the securities described in this prospectus supplement was initially filed with the Securities and Exchange Commission, or the SEC, on December 22, 2010, and was declared effective by the SEC on January 11, 2011. Under this “shelf” registration process, of which this offering is a part, we may, from time to time, sell up to an aggregate of \$75 million of our common stock, preferred stock, warrants and units. We have not yet sold any securities under the foregoing shelf registration.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of our shares of common stock and warrants to purchase shares of our common stock, and also adds, updates and changes information contained in the accompanying prospectus and the documents incorporated therein by reference. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or any document filed prior to the date of this prospectus supplement and incorporated herein by reference, the information in this prospectus supplement will govern. In addition, this prospectus supplement and the accompanying prospectus do not contain all of the information provided in the registration statement that we filed with the SEC. For further information about us, you should refer to that registration statement, which you can obtain from the SEC as described below under “Where You Can Find More Information.”

You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with information that is different. This prospectus supplement is not an offer to sell or solicitation of an offer to buy our securities in any circumstances under which the offer or solicitation is unlawful. We are offering to sell, and seeking offers to buy, our securities only in jurisdictions where offers and sales are permitted. You should not assume that the information we have included in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of this prospectus supplement or the accompanying prospectus, respectively, or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference, regardless of the time of delivery of this prospectus supplement or of any of our securities. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless the context otherwise requires, all references in this prospectus to “we,” “our,” “our company,” “Pluristem,” “PSTI,” and the “Company” refer to Pluristem Therapeutics Inc. and its subsidiary.

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere or incorporated by reference into this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that you should consider before investing in our securities. You should carefully read the entire prospectus supplement and the accompanying prospectus, including the “Risk Factors” sections, starting on page S-6 of this prospectus supplement and page 3 of the accompanying prospectus, as well as the financial statements and the other information incorporated by reference herein, before making an investment decision.

Overview

We are a bio-therapeutics company dedicated to the commercialization of non-personalized (allogeneic) cell therapy products for the treatment of several severe degenerative, ischemic and autoimmune disorders. We are developing a pipeline of products, stored ready-to-use, that are derived from human placenta, a non-controversial, non-embryonic, adult stromal cell source. The placental adherent stromal cells (ASCs) are grown in the Company's proprietary PluriX™ three-dimensional bioreactor, which imitates the natural microstructure of the body.

Pluristem's first product in development, PLX-PAD, is intended to improve the quality of life of millions of people suffering from peripheral artery disease (PAD).

We are currently focusing on clinical indications that the route of administration is intramuscular, which means that the cells are administrated locally to the muscle and not systemically. This route of administration may be applicable for several different indications, such as: PAD, critical limb ischemia, or CLI, intermittent claudication, or IC, neuropathic pain, wound healing and orthopedic injuries. In addition, we have reported our pre-clinical studies utilizing our proprietary PLX during the systemic administration in treating for multiple sclerosis, ischemic stroke, and inflammatory bowel disease.

Once we have products ready for commercialization, we will evaluate our various sales and marketing alternatives, including licensing of our technology to other companies, manufacturing and direct sales or entering into marketing collaborations.

Recent Developments

We announced on January 18, 2011 that we had successfully completed a parallel scientific advisory process with the European Medical Agencies, or the EMA, and the U.S. Food and Drug Administration, or the FDA, regarding our planned clinical development program for PLX-PAD.

We plan to conduct two clinical studies of PLX-PAD and to file the necessary regulatory documentation requesting the joint approval of the FDA-EMA for a Phase II/III study of PLX-PAD for CLI and a joint approval of the FDA and the Paul Ehrlich Institute (PEI) in Germany to conduct a Phase II study for IC.

Corporate Information

We were incorporated in the State of Nevada on May 11, 2001. Since 2003, we have owned 100% of the issued and outstanding shares of common stock of a research and development company based in Israel and called Pluristem, Ltd., which is our wholly-owned subsidiary. Our principal offices are located in Israel at MATAM Advanced Technology Park, Building No. 20, Haifa, Israel 31905. We maintain a website at www.pluristem.com; this website is not a part of this prospectus supplement and should not be deemed “filed” under the Securities Exchange Act of 1934, or the Exchange Act.

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The Offering

Shares of common stock and warrants offered	shares and warrants to purchase up to shares of common stock. This prospectus also covers up to shares of common stock issuable upon exercise of the warrants.
Offering price per unit	
Terms of warrants	An exercise price of \$ per share exercisable on and expiring on , 20 , the anniversary of the date of the issuance.
Common stock outstanding prior to this offering	28,202,011 shares of common stock.
Common stock to be outstanding after this offering	shares of common stock or ___ shares of common stock if all the warrants are exercised.
Use of proceeds	We estimate that the net proceeds from this offering, after deducting underwriting discounts and commissions and before offering expenses payable by us, will be approximately \$. We intend to use the net proceeds from this offering for expenses related to the conduct of our clinical trials, research and product development activities and for general corporate purposes, including general working capital purposes. See "Use of Proceeds" on page S- 9.
Risk factors	See "Risk Factors" beginning on page S-6 of this prospectus supplement and page 3 of the accompanying prospectus for a discussion of the risks you should carefully consider before deciding to invest in our securities.
Lock-up	Subject to certain exceptions, we and certain of our executive officers have agreed with the underwriters not to sell, transfer or dispose of any shares of our common stock for a period of 90 days (subject to certain exceptions) after the date of this prospectus supplement. See "Underwriting."
NASDAQ Capital Market symbol	PSTI
TASE symbol	PLTR

Unless otherwise stated, all information in this prospectus supplement is based on 28,202,011 shares of common stock outstanding as of January 24, 2011, assumes no exercise of the underwriters' over-allotment option, and does not include the following:

2,581,811 shares issuable upon the exercise of stock options outstanding prior to this offering under our stock incentive plans, at a weighted average exercise price of \$3.90 per share;

303,409 shares available for future grants under our stock incentive plans; and

12,689,273 shares issuable upon the exercise of warrants outstanding prior to this offering,
at a weighted average exercise price of \$2.20 per share.

2,085,578 restricted stocks units issuable upon vesting.

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RISK FACTORS

Investing in our securities involves significant risks. Before making an investment decision, you should carefully consider the risks described below, in the accompanying prospectus and in our most recent Annual Report on Form 10-K, and in our subsequent filings with the SEC, together with all of the other information appearing in this prospectus supplement or incorporated herein by reference, in light of your particular investment objectives and financial circumstances. The risks so described are not the only risks we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Our business, financial condition and results of operations could be materially adversely affected by any of these risks. The trading price of our securities could decline due to any of these risks, and you may lose all or part of your investment. The discussion of risks includes or refers to forward-looking statements; you should read the explanation of the qualifications and limitations on such forward-looking statements discussed elsewhere in this prospectus supplement.

We have not recognized any revenues since our incorporation and only have a limited operating history in our current business of developing and commercializing cell therapy products, which raise doubts about our ability to continue as a going concern.

We have a limited operating history in our current business of developing and commercializing cell therapy products and must be considered in the development stage. We have not generated any revenues since our inception and we will, in all likelihood, continue to incur operating expenses without significant revenues until we successfully develop and commercialize our cell therapy products. Our primary source of funds has been the sale of our common stock and government grants. We cannot give assurances that we will be able to generate any significant revenues or income. These circumstances make us dependent on additional financial support until profitability is achieved. There is no assurance that we will ever be profitable or that we will be able to continue as a going concern as is noted in the notes to our consolidated financial statements for the year ended June 30, 2010, included in our Annual Report on Form 10-K, incorporated herein by reference.

Our independent registered public accounting firm's report states that there is a substantial doubt that we will be able to continue as a going concern.

Our independent registered public accounting firm, Kost, Forer, Gabbay & Kassierer, a Member of Ernst & Young Global, stated in their audit report attached to our audited consolidated financial statements for the fiscal years ended June 30, 2010 and 2009 that because we are a development exploration stage company, we have no established source of revenue and are dependent on our ability to raise capital from shareholders and other sources to sustain operations, there is a substantial doubt that we will be able to continue as a going concern. There can be no assurance that acceptable financing to fund our ongoing operations can be obtained on suitable terms, if at all. If we are unable to obtain the financing necessary to support our operations, we may be unable to continue as a going concern. In that event, we may be forced to cease operations and our stockholders could lose their entire investment in our company.

We have a potential conflict with a prior financing agreement that may expose us to potential litigation.

In our subscription agreement for our May 2007 equity financing, or the Prior Financing Agreement, there is a provision that requires us, for a period of four years (subject to acceleration under certain circumstances), not to sell any of our common stock for less than \$0.0125 per share. The Prior Financing Agreement provides that any sale below such price must be preceded by a consent from each purchaser in the Prior Financing Agreement. Since that date, we have effected a one-for-200 reverse stock split.

In August 2008, we entered into securities purchase agreements pursuant to which we sold securities at a price higher than the pre-split price of \$0.0125 and below the post-split price of \$2.50. We decided to proceed with the offering

notwithstanding the provision for the following reasons:

- The Prior Financing Agreement did not contain any provisions for the adjustment of the specified minimum price in the event of stock splits and the like. If the Prior Financing Agreement were to have contained such a provision, the floor price would be \$2.50, which was greater than the offering price of the August offering.
- The majority of purchasers in the Prior Financing Agreement had sold the stock purchased in the Prior Financing Agreement, and thus the number of purchasers whose consent is purportedly required had been substantially reduced. The number of shares outstanding as to which this provision currently applies according the information supplied by our transfer agent is 1,848,545 shares.

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- Any agreement that prevents our board of directors from issuing shares that are necessary to finance our business may be unenforceable.
- Even if the minimum price provision was considered enforceable and the share price number was to be adjusted for our reverse stock split, we believed that there would be no damage from such offering to the holders of our shares whose consent was purportedly required.

In the event that a court were to hold that the issuance of shares below \$2.50 per share violated the Prior Financing Agreement, it is unclear what remedy the court may impose. If the court were to impose a remedy that would be the equivalent of an anti-dilution provision (which is not contained in the Prior Financing Agreement), any issuance of shares would be dilutive to our shareholders, including those who purchase shares in the current offering, in the event that the price for such shares is below \$2.50 per share. In addition, since August 2008, we, on several occasions, raised funds at a price per share which was higher than the pre-split price of \$0.0125 and below the post-split price of \$2.50.

In connection with the August 2008 financing, we approved the issuance of warrants to purchase up to 161,724 shares of our common stock to each of the investors who was a party to the Prior Financing Agreement and who still held shares purchased pursuant to such agreement as of August, 2008, conditioned upon having the investors execute a general release pursuant to which we would be released from liability including, but not limited to, any claims, demands, or causes of action arising out of, relating to, or regarding sales of certain equity securities notwithstanding the above mentioned provision. As of September 30, 2010 we had received a general release from some of the investors, and issued them warrants to purchase 105,583 shares of our common stock.

Our success will depend in part on our ability to protect our technology and products with patents.

We have three issued U.S. patents and eleven issued non-U.S. patents. In addition, we have five pending U.S. applications and forty-two pending non-U.S. patent applications (including four International Applications). Our issued patents, which will expire in 2020, are directed to methods for maintaining and expanding undifferentiated hematopoietic stem cells and to the use of those cells in cell therapy. We do not view any of these issued patents as being material to our business. Our pending patent applications are directed to compositions, methods for expanding and the therapeutic uses of adherent stromal cells. The patent approval process is complex and results are therefore highly uncertain. No assurance can be given that any of our pending patent applications or future patent applications will be approved, that the scope of any patent protection granted will exclude competitors or provide us with competitive advantages, that any of the patents that have been or may be issued to us will be held valid if subsequently challenged, or that other parties will not claim rights to or ownership of our patents or other proprietary rights that we hold. Furthermore, there can be no assurance that others have not developed or will not develop similar products, duplicate any of our technology or products or design around any patents that have been or may be issued to us or any future licensors. Since patent applications in the United States and in Europe are not publicly disclosed until they are published, there can be no assurance that others did not first file applications for products covered by our pending patent applications, nor can we be certain that we will not infringe any patents that may be issued to others pursuant to such applications.

We are committed to protecting our intellectual property position and to aggressively pursue our patent portfolio.

We have built the ability to manufacture clinical grade ASCs in-house. Through our experience with ASC-based product development, we have developed expertise and know-how in this field. To protect these expertise and know-how, our policies require confidentiality agreements with our employees, consultants, contractors, manufacturers and advisors. These agreements generally provide for protection of confidential information, restrictions on the use of materials and assignment of inventions conceived during the course of performance for us.

These agreements might not effectively prevent disclosure of our confidential information.

We fully own our intellectual property and we have no obligations to pay royalties to any third party, except for royalties to the Office of Chief Scientist (see note 6D in our audited consolidated financial statements for fiscal 2010 included elsewhere in our Annual Report on Form 10-K for the fiscal year ended June 30, 2010).

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We must further protect and develop our technology and products in order to become a profitable company.

The initial patents underlying our technology are directed to methods of maintaining and expanding undifferentiated hematopoietic stem cells and to the use of those cells in cell therapy. If we do not create additional sufficient layers of patents, other companies may use our technology to develop competing products. If this happens, we may not be able to obtain a competitive position and our business would likely suffer.

Furthermore, the scope of our patents may not be sufficiently broad to offer meaningful protection. In addition, our patents could be successfully challenged, invalidated or circumvented so that our patent rights would not create an effective competitive barrier.

Since we have broad discretion in how we use the proceeds from this offering, we may use the proceeds in ways with which you disagree.

We have not allocated specific amounts of the net proceeds from this offering for any specific purpose. Accordingly, our management will have significant flexibility in applying the net proceeds of this offering. You will be relying on the judgment of our management with regard to the use of these net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used in ways with which you would agree. It is possible that the net proceeds will be invested in a way that does not yield a favorable, or any, return for the Company. The failure of our management to use such funds effectively could have a material adverse effect on our business, financial condition, operating results and cash flow.

Investors in this offering will pay a substantially higher price than the book value of our shares.

If you purchase shares in this offering, you will incur an immediate and substantial dilution in net tangible book value of \$ per share, assuming the sale by us of all shares offered hereby at an assumed price to the public of \$3.96 per share (based on the closing price on NASDAQ Capital Market on January 25, 2011), and that no warrants issued in connection with this offering will be exercised.

Future sales of our shares may cause the prevailing market price of our shares to decrease.

We have issued a substantial number of shares upon exercise of warrants and options to purchase our shares that are eligible for, or may become eligible for, unrestricted resale. Any sales or registration of such shares in the public market or otherwise could reduce the prevailing market price for our shares, as well as make future sales of equity securities by us less attractive or even not feasible. The sale of shares issued upon the exercise of our options and warrants could also further dilute the holdings of our then existing shareholders.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This prospectus supplement and the documents we incorporate by reference in this prospectus supplement contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other Federal securities laws. All statements, other than statements of historical fact, that we include in this prospectus supplement and in the documents we incorporate by reference in this prospectus supplement, may be deemed forward-looking statements for purposes of the Securities Act of 1933, or the Securities Act, and the Exchange Act. We use the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “will,” “would” and similar to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we actually will achieve the plans, intentions or expectations and conduct the clinical studies disclosed in our forward-looking statements and, accordingly, you should not place undue reliance on our forward-looking statements. There are a number of important factors that could cause actual results or events to differ

materially from the forward-looking statements that we make, including the factors included in the documents we incorporate by reference in this prospectus supplement. You should read these factors and the other cautionary statements made in the documents we incorporate by reference as being applicable to all related forward-looking statements wherever they appear in this prospectus supplement, the accompanying prospectus and any document incorporated by reference. We caution you that, except as otherwise required by law, we do not undertake any obligation to update forward-looking statements we make.

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USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately \$ million at an assumed public offering price of \$ per unit, which is the closing price of our shares of common stock on the NASDAQ Capital Market on January , 2011, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters' over-allotment option is exercised in full, we estimate that we will receive net proceeds of approximately \$ million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds from this offering to fund the preparation of the two clinical studies described under the caption "Prospectus Supplement Summary - Recent Developments" on page S-4 of this prospectus supplement, research and product development activities, other clinical trials activities and for general corporate purposes, including working capital and administrative expenses. The amounts and timing of the expenditures may vary significantly depending on numerous factors, such as the progress of our preparation for the clinical trials and other research and development efforts, technological advances and the competitive environment for our products. Pending the use of the net proceeds, we intend to invest the net proceeds in bank deposits or short-term, interest-bearing, investment-grade securities.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock. We intend to retain any future earnings to finance the growth and development of our business and do not anticipate paying any cash dividends in the foreseeable future. Any dividends paid will be solely at the discretion of our board of directors.

CAPITALIZATION

The following table sets forth our consolidated capitalization as of December 31, 2010:

- on an actual basis; and
- on an as adjusted basis to give effect to our sale of shares of common stock at an assumed public offering price of \$ per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us (assuming no exercise of the underwriters' over-allotment option).

The information set forth in the following table should be read in conjunction with and is qualified in its entirety by reference to the audited and unaudited financial statements and notes thereto incorporated by reference in this prospectus supplement and the accompanying prospectus.

(In thousands, except share data)	As of December 31, 2010	
	Actual	As Adjusted (unaudited)
Shareholders' equity:		
Common stock, par value \$0.00001 per share – authorized 100,000,000 shares; issued and outstanding 26,489,904 shares (as of December 31, 2010); shares outstanding (1) on an as adjusted basis		
Preferred stock, par value \$0.00001 per share – authorized 10,000,000 shares, none of them issued. (3)	\$	\$

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Additional paid-in capital (through September 30, 2010) (2)	44,526	
Accumulated deficit during the development stage (through September 30, 2010)	(41,794)	
Total shareholders' equity	\$2,732	\$
Total capitalization		

(1) Based on 26,489,904 shares outstanding as of December 31, 2010. This number does not include:

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2,585,811 shares issuable upon the exercise of stock options outstanding prior to this offering under our stock incentive plans, at a weighted average exercise price of \$3.89 per share;

318,317 shares available for future grants under our stock incentive plans; and

14,250,350 shares issuable upon the exercise of warrants outstanding prior to this offering, at a weighted average exercise price of \$2.15 per share.

2,132,036 restricted stock units issuable upon vesting.

(2) This number does not include net proceeds of approximately \$5,006 related to the private placement we closed in October 2010, and approximately \$2,613 received from the exercise of warrants in January 2011.

(3) Less than \$1.

DILUTION

If you purchase shares of our common stock in this offering (either as a component of units or upon warrant exercise), your interest will be diluted to the extent of the difference between the public offering price per share and the net tangible book value per share of our common stock after this offering. Our net tangible book value as of September 30, 2010, was approximately \$2.7 million, or approximately \$0.12 per share. Net tangible book value per share is equal to total assets minus the sum of total liabilities and intangible assets divided by the total number of shares outstanding. Unless otherwise noted, all information contained in this dilution section assumes that the underwriters do not exercise their over-allotment option.

After giving effect to the sale of shares of common stock in this offering at an assumed public offering price of \$3.96 per share, the closing price of our shares on the NASDAQ Capital Market on January 25, 2010, and after deducting underwriting discounts and commissions and estimated offering expenses, our net tangible book value as of September 30, 2010, would have been \$, or \$ per share. This amount represents an immediate increase in net tangible book value to existing shareholders of \$ per share and an immediate dilution in net tangible book value of \$ per share to purchasers of our shares of common stock in this offering, as illustrated in the following table (without giving effect to the over-allotment option granted to the underwriters):

Public offering price per share	\$
Net tangible book value per share as of September 30, 2010	\$
Increase in net tangible book value per share after giving effect to this offering	\$